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*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and may not be offered or sold within the United States absent registration, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and will contain detailed information about the Company and its management as well as financial statements. The Company does not intend to register any part of the securities in the United States.*

UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the announcement of United Photovoltaics Group Limited (the "**Company**") dated 20 February 2017 in relation to the Additional Notes Issue (the "**Announcement**"). All terms used herein have the same meaning as defined in the Announcement, unless otherwise defined.

Please refer to the attached offering memorandum in relation to the Additional Notes (the "**Offering Memorandum**"), which is available on the website of the Singapore Exchange Securities Trading Limited as of 28 February 2017.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

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

Hong Kong, 28 February 2017

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer), Mr. Lu Zhenwei, Mr. Li Hong and Ms. Qiu Ping, Maggie; the non-executive directors of the Company are Academician Yao Jiannian and Mr. Tang Wenyong; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

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The following document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The following document has been prepared on the basis that all offers of the New Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the New Notes.

CONFIRMATION AND YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, YOU MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO MERRILL LYNCH INTERNATIONAL, MORGAN STANLEY & CO. INTERNATIONAL PLC, CHINA MERCHANTS SECURITIES (HK) CO., LTD. AND CLSA LIMITED (TOGETHER, THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

Within the United Kingdom, this document is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). This document is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This document and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

You are reminded that this document has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this document to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction. This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Initial Purchasers, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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SUPPLEMENTAL OFFERING MEMORANDUM **CONFIDENTIAL**

(to the Offering Memorandum dated January 18, 2017)

UNITED PHOTOVOLTAICS GROUP LIMITED

联合光伏集团有限公司

(Incorporated in Bermuda with limited liability)

US$100,000,000
8.25% Senior Notes due 2020
(to be consolidated and form a single series with
the US$250,000,000 8.25% Senior Notes due 2020 issued on January 25, 2017)
Issue Price: 101.918199%
plus accrued interest from (and including)
January 25, 2017 to (but excluding) February 27, 2017

United Photovoltaics Group Limited, a company incorporated in Bermuda with limited liability (the "Company"), is offering US$100,000,000 aggregate principal amount of its 8.25% Senior Notes due 2020 (the "New Notes"). The New Notes will be issued under the indenture (the "Indenture") governing the Company's outstanding US$250,000,000 aggregate principal amount of 8.25% Senior Notes due 2020 (the "Original Notes"). The New Notes constitute Additional Notes under the Indenture and are identical in all respects of the Original Notes, other than with respect to the date of issuance and issue price. The New Notes will form a single series with the Original Notes. The Original Notes and the New Notes are referred to collectively as the "Notes." Upon completion of this offering, the aggregate principal amount of outstanding New Notes and Original Notes will be US$350,000,000. Terms not defined in this Supplemental Offering Memorandum have the meanings given to them in the Offering Memorandum dated January 18, 2017.

The New Notes will bear interest from January 25, 2017 at 8.25% per annum payable semi-annually in arrears on January 25 and July 25 of each year, beginning July 25, 2017. The Notes will mature on January 25, 2020.

The New Notes are senior obligations of the Company, guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the section entitled "Description of the Notes" in the accompanying Offering Memorandum. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees.

At any time and from time to time prior to the maturity of the Notes, we may redeem up to 35% of the Notes, at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to the maturity of the Notes, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus accrued and unpaid interest (if any) to the redemption date and a premium as set forth in the accompanying Offering Memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture governing the Notes), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (i) senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) at least *pari passu* in right of payment against us with respect to all of our unsecured and unsubordinated indebtedness (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law), (iii) effectively subordinated to the secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (iv) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. In addition, applicable laws may limit the enforceability of the Subsidiary Guarantees.

For a more detailed description of the Notes, see the section entitled "Description of the Notes" in the accompanying Offering Memorandum.

Investing in the Notes involves risks. See the section entitled "Risk Factors" in the accompanying Offering Memorandum.

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of either us, this offering or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US$200,000.

Moody's Investors Service, Inc. ("Moody's") has assigned a corporate rating of "Ba3" to the Company with a stable outlook and S&P Global Ratings ("S&P") has assigned a corporate rating of "BB-" to the Company with a stable outlook. The Notes are rated "B1" by Moody's and "B+" by S&P. We do not expect the ratings to change as a result of the issuance of the New Notes. These ratings do not constitute a recommendation to buy, sell or hold the New Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

The New Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions" in the accompanying Offering Memorandum.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the proposed issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated October 27, 2016 evidencing such registration and we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within ten working days after the issue date of the New Notes.

It is expected that the delivery of the New Notes will be made on or about February 27, 2017 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators

BofA Merrill Lynch **Morgan Stanley**

Joint Bookrunners

BofA Merrill Lynch	**Morgan Stanley**	**China Merchants Securities (HK)**	**CITIC CLSA Securities**

The date of this Supplemental Offering Memorandum is February 20, 2017

TABLE OF CONTENTS

Supplemental Offering Memorandum

RECENT DEVELOPMENT	S-5	DESCRIPTION OF THE NOTES	S-9
THE OFFERING	S-6	PLAN OF DISTRIBUTION	S-10
USE OF PROCEEDS	S-7	LEGAL MATTERS	S-13
CAPITALIZATION AND INDEBTEDNESS	S-8	GENERAL INFORMATION	S-14

Offering Memorandum

SUMMARY	1	MANAGEMENT	94
THE OFFERING	5	PRINCIPAL SHAREHOLDERS	100
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	10	RELATED PARTY TRANSACTIONS	102
RISK FACTORS	13	DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS	103
USE OF PROCEEDS	47	DESCRIPTION OF THE NOTES	108
EXCHANGE RATE INFORMATION	48	TAXATION	168
CAPITALIZATION AND INDEBTEDNESS	51	PLAN OF DISTRIBUTION	171
SELECTED CONSOLIDATED FINANCIAL INFORMATION	52	TRANSFER RESTRICTIONS	177
INDUSTRY OVERVIEW	55	RATINGS	179
CORPORATE STRUCTURE	64	LEGAL MATTERS	179
BUSINESS	65	INDEPENDENT ACCOUNTANTS	179
REGULATION	85	GENERAL INFORMATION	180
		INDEX TO FINANCIAL INFORMATION	F-1

This Supplemental Offering Memorandum and the accompanying Offering Memorandum do not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Supplemental Offering Memorandum and the accompanying Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Supplemental Offering Memorandum and the accompanying Offering Memorandum or that the information contained in this Supplemental Offering Memorandum and the accompanying Offering Memorandum is correct as of any time after such date.

Neither this Supplemental Offering Memorandum nor the accompanying Offering Memorandum is a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This Supplemental Offering Memorandum and the accompanying Offering Memorandum have been prepared on the basis that all offers of the New Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the New Notes.

IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH INTERNATIONAL, MORGAN STANLEY & CO. INTERNATIONAL PLC, CHINA MERCHANTS SECURITIES (HK) CO., LTD. AND CLSA LIMITED AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this Supplemental Offering Memorandum and the accompanying Offering Memorandum contain all information with respect to us, our subsidiaries and affiliates referred to in this Supplemental Offering Memorandum, the accompanying Offering Memorandum, the New Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the New Notes; (ii) the statements contained in this Supplemental Offering Memorandum and the accompanying Offering Memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Supplemental Offering Memorandum and the accompanying Offering Memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the New Notes, make this Supplemental Offering Memorandum and the accompanying Offering Memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This Supplemental Offering Memorandum and the accompanying Offering Memorandum are highly confidential. We are providing them solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this Supplemental Offering Memorandum and the accompanying Offering Memorandum before making a decision whether to purchase the New Notes. You must not use this Supplemental Offering Memorandum and the accompanying Offering Memorandum for any other purpose, or disclose any information in this Supplemental Offering Memorandum and the accompanying Offering Memorandum to any other person.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Supplemental Offering Memorandum and the accompanying Offering Memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

We have prepared this Supplemental Offering Memorandum and the accompanying Offering Memorandum, and we are solely responsible for their contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled ''Transfer Restrictions'' in the accompanying Offering Memorandum.

No representation or warranty, express or implied, is made or given by Merrill Lynch International, Morgan Stanley & Co. International plc, China Merchants Securities (HK) Co., Ltd. and CLSA Limited (the ''**Initial Purchasers**''), Citicorp International Limited (the ''**Trustee**''), Citibank, N.A., London Branch (the ''**Paying Agent**,'' the ''**Transfer Agent**'' and the ''**Registrar**,'' and collectively, the ''**Agents**'') or any of their respective affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this Supplemental Offering Memorandum and the accompanying Offering Memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. None of the Initial Purchasers, the Trustee or the Agents has independently verified any of the information contained in this Supplemental Offering Memorandum and the accompanying Offering Memorandum or can give any assurance that this information is accurate, truthful or complete.

Each person receiving this Supplemental Offering Memorandum and the accompanying Offering Memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers, the Trustee or the Agents.

The New Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Supplemental Offering Memorandum and the accompanying Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the New Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this Supplemental Offering Memorandum and the accompanying Offering Memorandum and the offering of the securities, including the New Notes and the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this Supplemental Offering Memorandum and the accompanying Offering Memorandum come are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes and the Subsidiary Guarantees, and distribution of this Supplemental Offering Memorandum and the accompanying Offering Memorandum, see ''Transfer Restrictions'' in the accompanying Offering Memorandum and ''Plan of Distribution'' below and in the accompanying Offering Memorandum.

This Supplemental Offering Memorandum and the accompanying Offering Memorandum summarize certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Supplemental Offering Memorandum and the accompanying Offering Memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Supplemental Offering Memorandum and the accompanying Offering Memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

We reserve the right to withdraw the offering of New Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to purchase the New Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the New Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the New Notes.

RECENT DEVELOPMENTS

We acquired the entire equity interest in Notus Investments 2 S.à r.l. (“Notus 2”) on January 27, 2017. Notus 2 owns and operates six operational solar power plants with an aggregate installed capacity of approximately 82.4MW located in the United Kingdom. This marks our first successful investment in overseas market and we believe it has strengthened our capabilities to acquire, finance and manage overseas projects.

We acquired the entire equity interest in Tangshan Zhaoxin Solar Power Co., Ltd. (“Tangshan Zhaoxin”) on February 13, 2017. Tangshan Zhaoxin owns and operates a grid-connected solar power plant with an installed capacity of approximately 17.29MW located in Tangshan, Hebei Province, the PRC.

THE OFFERING

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes" in the accompanying Offering Memorandum.

Issuer	United Photovoltaics Group Limited (the "Company").
New Notes Offered	US$100,000,000 aggregate principal amount of 8.25% Senior Notes due 2020 (the "New Notes"), to be consolidated and form a single series with the US$250,000,000 8.25% senior notes due 2020 issued by the Company on January 25, 2017 (the "Original Notes" and, together with the New Notes, the "Notes"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.
Offering Price	101.918199% of the principal amount of the New Notes, plus accrued interest from (and including) January 25, 2017 to (but excluding) February 27, 2017.
Maturity Date	January 25, 2020.
Interest	The Notes bear interest from and including January 25, 2017 at the rate of 8.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 25 and July 25 of each year, commencing January 25, 2017.
Use of Proceeds	We plan to use the net proceeds mainly to refinance our existing indebtedness. The remainder of the net proceeds will be used for working capital purposes. We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in Temporary Cash Investments as defined under "Description of the Notes" in the accompanying Offering Memorandum.
Delivery of the New Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds on or about February 27, 2017 which the Company expects will be the fifth business day following the date of this Supplement Offering Memorandum referred to as "T +5". You should note that initial trading of the New Notes may be affected by the T+5 settlement. See "Plan of Distribution".

For all other terms, please refer to the section entitled "The Offering" in the accompanying Offering Memorandum.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US$100.2 million. We plan to use the net proceeds mainly to refinance our existing indebtedness. The remainder of the net proceeds will be used for working capital purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions" in the accompanying Offering Memorandum).

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2016 on an actual basis and on an adjusted basis after giving effect to the issuance of the Original Notes and the issuance of the New Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the unaudited condensed consolidated interim financial information of the Company as at June 30, 2016, and related notes included in the accompanying Offering Memorandum.

	As of June 30, 2016			
	Actual		As adjusted	
	RMB'000	*US$'000*	*RMB'000*	*US$'000*
Cash and cash equivalents	889,148	133,789	3,156,729[1]	474,989[1]
Short-term borrowings:[2]				
Convertible bonds	1,009,533	151,903	1,009,533	151,903
Bank borrowings	879,887	132,395	879,887	132,395
Loans from leasing companies	759,513	114,283	759,513	114,283
Loans from third party	55,500	8,351	55,500	8,351
Construction costs payable	1,236,463	186,049	1,236,463	186,049
Other payables and accruals	140,416	21,128	140,416	21,128
Total short-term borrowings	4,081,312	614,109	4,081,312	614,109
Long-term borrowings:				
Convertible bonds	2,465,749	371,018	2,465,749	371,018
Bank borrowings	2,711,036	407,926	2,711,036	407,926
Loans from leasing companies	1,626,270	244,703	1,626,270	244,703
Medium-term notes	97,247	14,633	97,247	14,633
Original Notes	–	–	1,601,662	241,000
New Notes to be issued[3]	–	–	665,919	100,200
Total long-term borrowings	6,900,302	1,038,280	9,167,883	1,379,480
Total equity	2,633,181	396,211	2,633,181	396,211
Total capitalization[4]	9,533,483	1,434,491	11,801,064	1,775,691

Notes:

(1) As adjusted to reflect the net proceeds from the Original Notes in the amount of US$241.0 million and the net proceeds from the New Notes in the amount of US$100.2 million.

(2) Short-term borrowings include the current portion of long-term borrowings.

(3) The net proceeds from the New Notes (with the aggregate principal amount of US$100 million at issue price of 101.918199%), after deduction of underwriting discounts and commissions and other estimated offering expenses, is approximately US$100.2 million.

(4) Total capitalization equals total long-term borrowings plus total equity.

We issued US$50 million of 6.50% convertible bonds to Power Revenue Limited in August 2016, see "Description of Other Material Indebtedness – Convertible Notes" and HK$98.0 million of 6.75% medium term notes due 2019 under our MTN Program to Ayers Alliance Securities (HK) Limited after June 30, 2016, see "Description of Other Material Indebtedness – Medium Term Notes" in the accompanying Offering Memorandum. In October 2016, we redeemed the principal amount of our US$120 million 5.0% convertible bonds that matured in October 2016.

In December 2016, we issued 50,000,000 of our shares to each of Power Revenue Limited, an indirect non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd., and CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd., at a subscription price of HK$0.6 per share, the net proceeds of which, after deduction of expenses related to the issuance, was approximately HK$59.8 million. We intend to use the net proceeds from this share issuance for general working capital purposes, including funding of our business development activities and refinancing of existing indebtedness.

We issued the Original Notes on January 25, 2017.

Except as otherwise disclosed in this Supplemental Offering Memorandum and the accompanying Offering Memorandum, there has been no material adverse change in our capitalization and indebtedness since June 30, 2016.

DESCRIPTION OF THE NOTES

The following provisions should be read in conjunction with the section entitled "Description of the Notes" in the accompanying Offering Memorandum.

The Company will issue the New Notes as Additional Notes under the Indenture.

The Company is issuing US$100,000,000 aggregate principal amount of New Notes in this offering. The New Notes constitute Additional Notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date and issue price, and will be consolidated and form a single series with the Original Notes. Upon completion of this offering, the aggregate principal amount of outstanding New Notes and Original Notes will be US$350,000,000. Interest on the New Notes will accrue from January 25, 2017. All references to the Notes in the accompanying Offering Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes issued will have the same ISIN and Common Code as those that are assigned to the Original Notes previously sold to investors. The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled "Transfer Restrictions" in the accompanying Offering Memorandum.

You can find the definitions of terms used in this section under "Description of the Notes – Definitions" in the accompanying Offering Memorandum.

PLAN OF DISTRIBUTION

Merrill Lynch International and Morgan Stanley & Co. International plc are acting as joint global coordinators, joint bookrunners and joint lead managers and China Merchants Securities (HK) Co., Ltd. and CLSA Limited are acting as the joint bookrunners and joint lead managers of the offering. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of New Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of New Notes
Merrill Lynch International	US$44,740,000
Morgan Stanley & Co. International plc	US$44,740,000
China Merchants Securities (HK) Co., Ltd.	US$5,260,000
CLSA Limited	US$5,260,000
Total	US$100,000,000

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the New Notes if any of these New Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the New Notes.

Commissions and Discounts

The Initial Purchasers propose initially to offer the New Notes at the offering price set forth on the cover page of this Supplemental Offering Memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell the New Notes through certain of their affiliates. We have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the New Notes by their private bank clients.

Notes Are Not Being Registered

The New Notes have not been registered under the Securities Act or any state securities laws of the United States. The Initial Purchasers propose to offer the New Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Regulation S. See "Transfer Restriction" in the accompanying Offering Memorandum. The Initial Purchasers will not offer or sell the New Notes except to persons outside of the United States in offshore transactions that occur outside of the United States within the meaning of Regulation S. Each purchaser of the New Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restriction" in the accompanying Offering Memorandum.

Issue of Notes

The Original Notes are listed on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. We have been advised by the Initial Purchasers that they presently intend to make a market in the New Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the New Notes. If an active trading market for the New Notes does not develop, the market price and liquidity of the New Notes may be adversely affected. If the New Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the New Notes will be made to investors on or about February 27, 2017, which will be the fifth business day following the date of this Supplemental Offering Memorandum (such settlement being referred to as "**T+5**"). As trades in certain secondary markets generally settle in three business days, purchasers who wish to trade New Notes prior to the delivery of the New Notes hereunder will be required, by virtue of the fact that the New Notes initially settle in T +5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We and the Subsidiary Guarantors have agreed that we will not, for a period of 60 days after the date of this Supplemental Offering Memorandum, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the New Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Stabilization and Short Positions

In connection with the offering of the New Notes, Merrill Lynch International, Morgan Stanley & Co. International plc, China Merchants Securities (HK) Co., Ltd. and CLSA Limited or any of their respective affiliates, may engage in over-allotment, stabilizing transactions and syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of New Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing New Notes in the open market. Over-allotment involves sales in excess of the offering size, which creates a short position. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the New Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the New Notes or preventing or retarding a decline in the market price of the New Notes. As a result, the price of the New Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

You should refer to the section entitled "Plan of Distribution – Selling Restrictions" in the accompanying Offering Memorandum.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law, Conyers Dill & Pearman as to matters of Bermuda law and as to matters of BVI law and JunHe LLP as to matters of PRC Law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and Haiwen & Partners as to matters of PRC law.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in Bermuda, the BVI and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated October 28, 2016 and February 17, 2017, respectively.

LITIGATION

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes or the Subsidiary Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this Supplemental Offering Memorandum and the accompanying Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2016 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected by holders of the Notes upon satisfactory proof of holding free of charge during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
The Notes	XS1512652600	151265260

LISTING OF THE NEW NOTES

The Original Notes are listed on the SGX-ST and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Supplemental Offering Memorandum and the accompanying Offering Memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Notes or us. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a Paying Agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to this preliminary offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this preliminary offering memorandum. In accessing the preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE ATTACHED DOCUMENT HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, RESOLD TRANSFERRED OR DELIVERED DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

The following preliminary offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The following preliminary offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

CONFIRMATION AND YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, YOU MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO MERRILL LYNCH INTERNATIONAL, MORGAN STANLEY & CO. INTERNATIONAL PLC, NOMURA INTERNATIONAL (HONG KONG) LIMITED, CHINA MERCHANTS SECURITIES (HK) CO. LTD. AND CLSA LIMITED (TOGETHER, THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

Within the United Kingdom, this preliminary offering memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). This preliminary offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This preliminary offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on this preliminary offering memorandum or any of its contents.

You are reminded that this preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction. This preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Initial Purchasers, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

UNITED PHOTOVOLTAICS GROUP LIMITED
联合光伏集团有限公司

(Incorporated in Bermuda with limited liability)

US$250,000,000
8.25% Senior Notes due 2020
Issue Price: 98.385%

Our US$250,000,000 8.25% Senior Notes due 2020 (the "Notes") will bear interest from January 25, 2017 at 8.25% *per annum* payable semi-annually in arrears on January 25 and July 25 of each year, beginning July 25, 2017. The Notes will mature on January 25, 2020.

The Notes are senior obligations of United Photovoltaics Group Limited (the "Company"), guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the section entitled "Description of the Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees.

At any time and from time to time prior to the maturity of the Notes, we may redeem up to 35% of the Notes, at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to the maturity of the Notes, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus accrued and unpaid interest (if any) to the redemption date and a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (i) senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) at least *pari passu* in right of payment against us with respect to all of our unsecured and unsubordinated indebtedness (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law), (iii) effectively subordinated to the secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (iv) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees. See the section entitled "Risk Factors – Risks relating to the Notes and the Subsidiary Guarantees."

For a more detailed description of the Notes, see the section entitled "Description of the Notes."

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 13.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of either us, this offering or the Notes. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US$200,000.

Moody's Investors Service, Inc. ("Moody's") has assigned a corporate rating of "Ba3" to the Company with a stable outlook and S&P Global Ratings ("S&P") has assigned a corporate rating of "BB-" to the Company with a stable outlook. The Notes are expected to be rated "B1" by Moody's and "B+" by S&P. These ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the Initial Purchasers (as defined in this offering memorandum) only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the proposed issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated October 27, 2016 evidencing such registration and we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten working days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about January 25, 2017 through the book-entry facilities of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators

BofA Merrill Lynch **Morgan Stanley**

Joint Bookrunners

BofA Merrill Lynch	**Morgan Stanley**	**Nomura**	**China Merchants Securities (HK)**	**CITIC CLSA Securities**

The date of this offering memorandum is January 18, 2017

TABLE OF CONTENTS

	Page		Page
Summary	1	Management	94
The Offering	5	Principal Shareholders	100
Summary Consolidated Financial Information	10	Related Party Transactions	102
Risk Factors	13	Description of Other Material Indebtedness	103
Use of Proceeds	47	Description of the Notes	108
Exchange Rate Information	48	Taxation	168
Capitalization and Indebtedness	51	Plan of Distribution	171
Selected Consolidated Financial Information	52	Transfer Restrictions	177
Industry Overview	55	Ratings	179
Corporate Structure	64	Legal Matters	179
Business	65	Independent Accountants	179
Regulation	85	General Information	180
		Index to Financial Information	F-1

This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

The following offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The following offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH INTERNATIONAL, MORGAN STANLEY & CO. INTERNATIONAL PLC, NOMURA INTERNATIONAL (HONG KONG) LIMITED, CHINA MERCHANTS SECURITIES (HK) CO., LTD. AND CLSA LIMITED AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions

and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled "Transfer Restrictions" below.

No representation or warranty, express or implied, is made or given by Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International (Hong Kong) Limited, China Merchants Securities (HK) Co., Ltd. and CLSA Limited (the "**Initial Purchasers**"), Citicorp International Limited (the "**Trustee**"), Citibank, N.A., London Branch (the "**Paying Agent**," the "**Transfer Agent**" and the "**Registrar**," and collectively, the "**Agents**") or any of their respective affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. None of the Initial Purchasers, the Trustee or the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our Company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers, the Trustee or the Agents.

The Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing

authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the securities, including the Notes and the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the Notes and the Subsidiary Guarantees, and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to purchase the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to United Photovoltaics Group Limited itself and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and solar power industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and solar power industry statistics.

In this offering memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "**United States**" or "**U.S.**"); all references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**" or "**HK**"); and all references to "RMB" or "Renminbi" are to the Renminbi, the official currency of the People's Republic of China ("**China**" or the "**PRC**").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.6459 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK$7.7591 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. All amounts converted into U.S. dollars contained in this offering memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

References to "PRC" and "China" in the context of statistical information and description of laws and regulations in this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("**Macau**"), or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRS**") which differ in certain respects from generally accepted accounting principles ("**GAAP**") in certain other jurisdictions. Unless the context otherwise requires, references to "2014" and "2015" in this offering memorandum are to our financial years ended December 31, 2014 and 2015, respectively.

References to "CAGR" are to the compound annual growth rate.

References to "FITs" are to feed-in tariffs, which represent the total price for solar generated electricity stipulated by the relevant PRC government authorities as part of the PRC government's price support regime for renewable energy, which comprise (i) the electricity price to be paid by the relevant electricity off-taker and (ii) the on-grid tariff to be provided by the relevant PRC government authorities.

References to "GW" are to gigawatt.

References to "kW" are to kilowatt.

References to "kWh" are to kilowatt-hour.

References to "land use rights certificate" are to the state-owned land use rights certificate (國有土地使用證), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land.

References to "MOF" are to the Ministry of Finance of the PRC.

References to "MW" are to megawatt.

References to "NEB" are to the National Energy Bureau of the PRC.

References to "NDRC" are to the National Development and Reform Commission of the PRC.

References to "property ownership certificate" are to the property ownership certificate (房屋所有權證) issued by relevant PRC government authorities with respect to the ownership rights of buildings.

References to "Region 1," "Region 2" and "Region 3," are to (i) Northern China and Inner Mongolia, (ii) the Western and Central regions of China, and (iii) the remaining regions of China, respectively, which the NDRC has categorized based on irradiation levels for the purposes of determining FITs that are applicable to solar power companies operating in each particular region.

References to "Renewable Energy Subsidy Catalogue" are to a catalogue, jointly published and periodically updated by MOF, NDRC and NEA, that lists the solar power plants that are eligible to receive FITs under the PRC government's price support regime for renewable energy.

References to "sq.km." are to square kilometers.

References to "sq.m." are to square meters.

In this offering memorandum, unless the context otherwise requires, all references to "Affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"), as amended (the "**Listing Rules**"), which includes: (i) a "subsidiary undertaking" as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Companies Ordinance**"), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding

companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director of our Company, chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and solar power plant acquisition and development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to favorable price support regimes, including feed-in tariffs, of the relevant PRC government entities and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- pipeline solar power projects for acquisition or development;
- the regulatory environment of our industry in general;
- the performance and future developments of the solar power market in China or any region in China in which we may engage in solar power plant operations;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply for solar power plants, availability and cost of financing, and pricing and demand for electricity;
- significant delay in obtaining the various permits, proper legal titles or approvals for our solar power plants under development;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are

reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "Risk Factors" in this offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in Bermuda with limited liability, and each Subsidiary Guarantor is also incorporated or may be incorporated, as the case may be, outside the United States, such as the British Virgin Islands (the "**BVI**") and Hong Kong. Bermuda, the BVI, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets and all of the assets of the initial Subsidiary Guarantors are, and all of the assets of any future Subsidiary Guarantors may be, located outside the United States. In addition, all of our directors and officers and the directors and officers of the initial Subsidiary Guarantors are, and the directors and officers of any future Subsidiary Guarantors may be, nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the initial Subsidiary Guarantors or future Subsidiary Guarantors or such directors and officers or to enforce against us or any of the initial Subsidiary Guarantors or future Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint National Corporate Research, Ltd. as our and their respective agent to receive service of process with respect to any action brought against us or any such Subsidiary Guarantor in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or any such Subsidiary Guarantor in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

There is uncertainty as to whether the courts of Bermuda would (i) recognise or enforce against us or our directors or officers judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) in original actions brought in Bermuda, impose liabilities against us or our Directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. However, we have been advised by our Bermuda legal advisors, Conyers Dill & Pearman, that the courts of Bermuda would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in the any state or federal court located in the Borough of Manhattan, The City of New York, New York against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of Bermuda; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of Bermuda; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and (f) there is due compliance with the correct procedures under the laws of Bermuda.

There is also uncertainty as to whether the courts of the BVI would (i) enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States; or (ii) entertain original actions brought in the courts of the BVI against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or any state or territory within the United States.

We have been advised by our BVI legal advisors, Conyers Dill & Pearman, that the courts of the BVI would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in any state or federal court located in the Borough of Manhattan, The City of New York, New York against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the BVI, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the BVI, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the BVI and (f) there is due compliance with the correct procedures under the laws of the BVI.

We have been advised by our Hong Kong legal advisors, Sidley Austin, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment based on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);

(c) is contrary to public policy or natural justice;

(d) is for multiple/penal damages;

(e) is based on foreign penal, revenue or other public law;

(f) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance; or

(g) is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong.

We have also been advised by our PRC legal advisors, JunHe LLP, that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor or their respective directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor or their respective directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled "Risk Factors" and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are the largest publicly listed pure play solar power plant owner and operator in the PRC in terms of aggregate installed capacity. We focus on and have an established track record in acquiring, developing and operating utility-scale solar power plants across the PRC. We, together with a number of associate companies, own and operate 31 utility-scale ground mounted solar power plants and distributed solar power plants, comprising standalone roof top solar power plants and those combined with agricultural machines used by captive agricultural industries, distributed across several provinces in the PRC, with an aggregate installed capacity of 1.29GW as of December 31, 2016. We currently operate one principal line of business, which is the generation and sale of electricity, and derive the bulk of our revenue by selling electricity to subsidiaries of the State Grid and the Inner Mongolia Grid Ltd, all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As the PRC government currently supports and encourages the generation and consumption of renewable energy, we also benefit from favorable price support regimes and receive FITs from the relevant PRC government authorities.

We strategically acquire and develop solar power plants that allow us to achieve our predetermined minimal rate of return and select our solar power projects based on a combination of considerations, including solar irradiation of the site, applicable FITs and government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity. Our 31 solar power plants included eight solar power plants in Inner Mongolia, six solar power plants in Xinjiang, four solar power plants in Qinghai, three solar power plants in Guangdong, two solar power plants in each of Yunnan and Jiangsu, and one solar power plant in each of Gansu, Hebei, Hubei, Ningxia, Shanxi and Shandong, see "– Our Business – Our solar power plants – Solar power plants in operation." Most of our power purchase agreements, or PPAs, fix the price of electricity sold by our solar power plants and the FITs for one to five years. In addition to our existing operational solar power plant portfolio, we have approximately 582MW of solar power projects in our acquisition pipeline, for which we have attained acquisition approvals from our mergers and acquisitions committee and have entered into memoranda of understanding or have signed letters of intent with the prospective sellers, and 100MW of solar power projects in our development pipeline, for which we have obtained site controls and relevant government permits.

In recent years, the PRC government has developed a number of initiatives, including its five-year plan to reach 110GW of installed solar power capacity by 2020, to reduce the country's dependence on fossil fuels and, in turn, environmental pollution resulting from the burning of fossil fuels. The PRC government introduced FITs in 2011, at both state and provincial levels, to fuel the growth of solar power plants. The PRC government generally provides 20 year subsidies of RMB0.42 per kWh of output from roof top solar power projects and, depending on irradiation levels at the location of the solar power plant, between RMB0.65 and RMB0.85 per kWh of FITs for electricity output from ground mounted solar power projects. Our solar power plants are exempt from PRC corporate income tax for three years starting from the time electricity sales revenue is generated from the solar power plant and are entitled to a 50% reduction in PRC corporate income tax for a subsequent three year period. Solar power companies in the PRC also benefit from the policy of "refund-after-collection" on VAT and we enjoy a 50% reduction in our VAT tax expenses relating to our electricity sales, this preferential tax treatment will be in place until December 31, 2018. Our business has benefited substantially in an environment of favorable government policy and we expect the PRC government to continue its support for increased substitution of clean renewable energy for more polluting fossil fuel based energy.

We focus on the downstream solar power market and have acquired solar power plants from other developers and developed our solar power plants by integrating and optimizing photovoltaic ("**PV**") components and technology. By design, our focus on the downstream PV segment provides us and our engineering, procurement and construction ("**EPC**") contractors with the flexibility to procure the most suitable components and technology and customize our solar power plants based on the local environment in which they are to be situated. Our ability to successfully integrate and optimize PV components and technology and develop successful solar power plants was recognized by the National Energy Administration of the PRC (the "**NEA**") in August 2015 when it awarded us the exclusive right to develop and operate a 100MW solar power plant in Datong, Shanxi province. This project was classified by the NEA as a "Top Runner" project for the PRC solar power industry due to its significance in marking the start of Datong's transformation – from a polluted industrial city that is highly reliant on fossil fuels to a industrial city with a low carbon footprint that relies on renewable energy sources. See "Competitive Strengths – Strong track record of acquisition and development of solar power projects."

We believe that our broad geographical reach and established presence across the PRC and our experience in acquiring and developing revenue producing solar power plants are significant differentiators that provide us with further opportunities for growth both within and outside of the PRC. We aim to expand our operations into other provinces and autonomous regions in the PRC as well as in other countries, such as the United States, France, Australia, New Zealand, Germany, Japan and the United Kingdom, with attractive solar irradiation, regulatory environments, electricity pricing, land availability, financial access and overall electricity market trends. We entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom, which is expected to be completed in January 2017, and we believe that such expansion into international markets will promote our reputation and our standing in the PV industry, allow us to acquire more know-how and technology, diversify our revenue base, and increase our growth potential.

Competitive Strengths

We believe that our historical success and future prospectus are directly related to a combination of strengths, including the following:

- operating in the fast growing PRC solar power market and benefiting from strong support and favorable policies from the PRC government;
- largest publicly listed pure play solar power plant owner and operator in the PRC with high quality and well diversified solar projects portfolio;
- strong track record of acquisition and development of solar power projects;
- experienced management team and strong support from our shareholders; and
- access to a variety of domestic and overseas financing channels to optimize capital structure and manage funding cost, which is underpinned by prudent financial management.

Strategy

Our core strategy is to position ourselves as a leading solar power producer within the PRC and internationally. We are seeking to execute this strategy by increasing our portfolio of solar power plants in the PRC by capitalizing on the PRC government's support for clean and renewable energy and country's significant and growing energy needs, and strengthening our relationships and exploring new partnership opportunities with providers of PV components and technology. Our strategies include the following:

- continue to build our portfolio of solar power projects through acquisition and self-development;
- maintain and develop strong relationships with our suppliers and EPC contractors;
- improve the performance and reliability of our solar power projects, and enhance the cost efficiency of operations and maintenance of our solar plants ("O&M");
- reduce financing costs and diversify financing channels; and
- continue to expand business cooperation opportunities by leveraging the support and resources of China Merchants group and other strategic shareholders.

Recent Developments

We entered into a subscription agreement with ORIX Asia Capital Limited ("**ORIX**"), a leading international investment institution with over 7GW of renewable energy assets globally, and a number of our existing shareholders in September 2016, whereby ORIX will invest approximately US$105.5 million in our Company in exchange for approximately 19.9% of the shares in our Company, upon the completion of the transaction, and warrants to subscribe for additional shares in our Company (the "**ORIX Investment**"). Closing of the transaction is subject to certain conditions, including but not limited to the successful issuance of corporate bonds and/or obtaining a syndicated loan of not less than HK$2 billion, the proceeds of which must be used to redeem certain of our outstanding convertible bond. We intend to use the proceeds of this offering to redeem certain of our convertible bonds. ORIX has agreed to be a long-term strategic partner and, through its global subsidiaries, assist us with acquisitions of overseas solar power projects and share technical and operational experience with us.

In December 2016, we issued 50,000,000 of our shares to each of Power Revenue Limited, an indirect non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd., and CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd., at a subscription price of HK$0.6 per share, the net proceeds of which, after deduction of expenses related to the issuance, was approximately HK$59.8 million. We intend to use the net proceeds from this share issuance for general working capital purposes, including funding of our business development activities and refinancing of existing indebtedness.

In addition to the investment by ORIX in our Company, as part of our plans to expand our business operations, we entered into a sale and purchase agreement on September 22, 2016 to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom, which is expected to be completed in January 2017. We also completed the acquisition of a 20MW solar power project in Hebei and a 35MW solar power project in Yunnan in the third quarter of 2016, and a 40MW solar power project in Shandong in October 2016. In November 2016, we (i) completed the development of a 0.4MW roof top solar power plant in Guangdong, (ii) entered into a joint venture and acquired a 50% equity interest in a PRC joint venture company that owned and operated a 200MW solar power plant in Ningxia, and (iii) completed the acquisition of the remaining 49.0% equity interest in Changzhou Guangyu New Energy Company Limited, which owns and operates Xinjiang Hami 1, Xinjiang Hami 2, Xinjiang Turpan 1 and Xinjiang Turpan 2, with an aggregate installed capacity of approximately 80MW, for a consideration of RMB20.9 million. See "Business – Our Solar Power Plants."

We issued US$50 million of 6.50% convertible bonds to Power Revenue Limited in August 2016, see "Description of Other Material Indebtedness – Convertible Notes" and an aggregate of HK$98.0 million of 6.75% medium term notes due 2019 under our MTN Program to Ayers Alliance Securities (HK) Limited after June 30, 2016, see "Description of Other Material Indebtedness – Medium Term Notes." In October 2016, we redeemed US$120 million of our 5.0% convertible bonds that matured in October 2016.

General Information

We were incorporated in Bermuda as an exempted company with limited liability on February 3, 2000. Our shares have been listed on the Hong Kong Stock Exchange since April 13, 2000. Our place of business in Hong Kong is at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Our website is http://www.unitedpvgroup.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the Notes, see "Description of the Notes." Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Company	United Photovoltaics Group Limited (the "**Company**").
Notes Offered	US$250,000,000 aggregate principal amount of 8.25% Senior Notes due 2020 (the "**Notes**").
Offering Price	98.385% of the principal amount of the Notes.
Maturity Date	January 25, 2020
Interest	The Notes will bear interest from and including January 25, 2017 at the rate of 8.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 25 and July 25 of each year, commencing July 25, 2017.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described under "Description of the Notes – The Subsidiary Guarantees" and in "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees"; • effectively subordinated to secured obligations of the Company, the Subsidiary Guarantors to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Subsidiary Guarantees	Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes – The Subsidiary Guarantees – Release of the Subsidiary Guarantees."

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries, other than (i) the Restricted Subsidiaries organized under the laws of the PRC (the "**PRC Non-Guarantor Subsidiaries**") and (ii) Sky Cypress Limited (BVI), Gay Giano China Development Limited (BVI), Gay Giano Shanghai Limited (HK), Goldpoly New Energy Limited (HK), Time Infrastructure Hong Kong Limited (HK), Gay Giano Technology Limited (BVI), Gay Giano Holdings Limited (BVI), Cour Carre Hong Kong Limited (HK), Renewable Energy UK Portfolio Limited (HK) and Pearl International Investments S.à r.l. (Luxembourg) (the "**Initial Offshore Non-Guarantor Subsidiaries,**" and, together with the PRC Non-Guarantor Subsidiaries, the "**Non-Guarantor Subsidiaries**").

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. See "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees – Our initial Subsidiary Guarantors do not currently have significant operations."

Any future Restricted Subsidiary, other than subsidiaries organized under the laws of the PRC and the Offshore Non-Guarantor Subsidiaries, will provide a guarantee of the Notes as a Subsidiary Guarantor within 30 days of becoming a Restricted Subsidiary. Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiary organized outside the PRC to not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or at any time thereafter or ceases to be an Exempted Subsidiary; provided that, after giving effect to the amount of consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries do not exceed 20% of the Total Assets.

Ranking of Subsidiary Guarantees. . . . . The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	See "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees."
Offshore Non-Guarantor Subsidiaries	The Company may designate certain Subsidiaries organized outside the PRC that are Restricted Subsidiaries as "Offshore Non-Guarantor Subsidiaries", which are not required to guarantee the Notes, provided the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries do not account for more than 20% of Total Assets.
Use of Proceeds	We intend to use the net proceeds from this offering to repay certain outstanding amounts under our convertible bonds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes."
Optional Redemption	At any time prior to the maturity of the Notes, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes – Optional Redemption." At any time and from time to time prior to the maturity of the Notes, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Repurchase of Notes Upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reasons	Subject to certain conditions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the Notes – Redemption for Taxation Reasons."

Covenants	The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of the Company or any other Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; • effect a consolidation or merger; and • engage in any business other than businesses permitted by the Indenture. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes – Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by the Global Certificate in book-entry form in the name of the common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") (or its nominee). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, the records maintained by Euroclear and/or Clearstream.

Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes – Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 25, 2017, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	Citicorp International Limited
Principal Paying Agent, Transfer Agent and Registrar	Citibank N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US$200,000.
Ratings	The Notes are expected to be rated "B+" by S&P and "B1" by Moody's. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.
Security Codes	**ISIN**: XS1512652600; **Common Code**: 151265260
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary consolidated financial information as of and for the year ended December 31, 2014 set forth below is derived from the audited consolidated financial statements of the Company for the year ended December 31, 2015 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, including the notes thereto, which are included elsewhere in this offering memorandum. The 2014 comparative financial information as contained therein was restated to reflect the change in accounting policy with effect from January 1, 2015 when the Company changed its presentation currency from HK$ to RMB for the preparation of its consolidated financial statements. Having considered the principal activities of the Company are mainly conducted in the PRC where the functional currency of those subsidiaries in the PRC are denominated in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Company's transactions in these consolidated financial statements. The change in presentation currency have been applied retrospectively. The 2014 figures were translated from HK$ to RMB using the applicable closing rates for items in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

The summary consolidated financial information as of and for the year ended December 31, 2015 set forth below is derived from the audited consolidated financial statements of the Company for the year ended December 31, 2015 which have been audited by our independent auditor, PricewaterhouseCoopers and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, including the notes thereto, which are included elsewhere in this offering memorandum.

The summary consolidated financial information as of and for the six months ended June 30, 2015 and 2016 set forth below is derived from the unaudited condensed consolidated interim financial information of the Company for the six months ended June 30, 2016 which has been reviewed by our independent auditor, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagement 2410 and should be read in conjunction with the unaudited condensed consolidated interim financial information of the Company for the six months ended June 30, 2016, including the notes thereto, which are included elsewhere in this offering memorandum. Such unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2016 should not be taken as an indication of the expected business, financial condition and results of operations for the full year ending December 31, 2016.

The Company's audited consolidated financial statements were prepared and presented in accordance with HKFRS and the Company's unaudited condensed consolidated interim financial information were prepared and presented in accordance with Hong Kong Accounting Standard 34.

Summary Consolidated Income Statements

	For the year ended December 31,		Six months ended June 30,		
	2014	2015	2015	2016	
	(RMB) (Restated)	*(RMB)* (Audited)	*(RMB)* (Unaudited) (in thousands)	*(RMB)* (Unaudited)	*(US$)* (Unaudited)
Continuing operations					
Sales of electricity	124,846	175,256	77,576	119,960	18,050
Tariff adjustment	254,518	455,418	205,610	332,472	50,027
	379,364	630,674	283,186	452,432	68,077
Other income	–	1,950	250	27,075	4,074
Reversal of impairment charge on other receivables	8,382	–	–	–	–
Employee benefits expenses	(53,217)	(69,736)	(33,936)	(50,067)	(7,533)
Legal and profession fees	(3,516)	(7,618)	(3,878)	(3,128)	(471)
Maintenance costs	(37,922)	(47,652)	(27,666)	(17,014)	(2,560)
Other expenses	(15,939)	(43,873)	(5,598)	(32,912)	(4,952)
Sales of solar energy related products	35,500	306,615	–	–	–
Cost of sales of solar energy related products	(35,195)	(289,998)	–	–	–
EBITDA [(1)]	277,457	480,362	212,358	376,386	56,635
Acquisition costs arising from business combinations	(2,401)	(4,822)	(1,085)	(7)	(1)
Depreciation of property, plant and equipment	(144,801)	(242,176)	(107,048)	(166,544)	(25,060)
Bargain purchase arising from:					
(i) Business combinations	35,520	204,506	11,824	4,167	627
(ii) Acquisition of associates	–	9,634	6,787	–	–
Fair value gain/(loss) on financial assets at fair value through profit or loss relating to:					
(i) Call option issued relating to the acquisition of an associate ("Call Option")	–	120,890	142,244	(9,708)	(1,461)
(ii) Guaranteed electricity output	101,146	(76,356)	212,809	305,680	45,995
(iii) Unlisted investment	–	–	–	106,709	16,056
Fair value gain on financial liabilities at fair value through profit or loss relating to:					
(i) Contingent consideration payables	286,221	159,362	(57,637)	36,665	5,517
(ii) Put option issued in relation to acquisition of an associate ("Put Option")	72,967	34,541	(11,813)	21,262	3,199
Fair value gain on previously held interest as a result of business combination	1,617	–	–	–	–
Finance income	162,466	288,122	118,537	67,132	10,101
Finance costs	(306,769)	(637,534)	(269,462)	(493,234)	(74,216)
Gain on disposal of an associate	–	32,840	–	–	–
Share of profits/(losses) of associates	15,127	3,893	(3,161)	9,030	1,359
Profit before income tax	498,550	373,262	254,353	257,538	38,751
Income tax credit	30	–	–	–	–
Profit for the period from continuing operation	498,580	373,262	254,353	257,538	38,751
Discontinued operation					
Loss from discontinued operation	(238,420)	–	–	–	–
Profit for the period	260,160	373,262	254,353	257,538	38,751
Profit attributable to:					
– Shareholders of the Company	251,864	360,670	242,914	248,951	37,459
– Non-controlling interests	8,296	12,592	11,439	8,587	1,292
	260,160	373,262	254,353	257,538	38,751
Profit/(loss) attributable to shareholders of the Company arising from:					
– Continued operations	490,284	360,670	242,914	248,951	37,459
– Discontinued operation	(238,420)	–	–	–	–
	251,864	360,670	242,914	248,951	37,459

Notes:

(1) EBITDA represents earnings before finance income, finance costs, taxation, depreciation and fair value gains/(losses), which also excludes acquisition costs arising from business combinations, share of profits of associates and gain on disposal of an associate. EBITDA is not a measure of performance under HKFRS, but is widely used by management for monitoring business performance of a company from operational perspective.

Summary Consolidated Balance Sheets

	As of December 31,		As of June 30,	
	2014	2015	2016	
	(RMB) (Restated)	*(RMB)* (Audited)	*(RMB)* (Unaudited)	*(US$)* (Unaudited)
	(in thousands)			
Assets				
Non-current assets				
Land use rights	451	440	435	65
Property, plant and equipment	4,581,055	7,419,750	8,414,254	1,266,082
Intangible assets	989,424	949,781	918,097	138,145
Investments in associates	290,627	305,040	281,484	42,355
Other receivables, deposits and prepayments	453,979	741,123	832,607	125,281
Financial assets at fair value through profit or loss	–	120,890	111,182	16,729
	6,315,536	9,537,024	10,558,059	1,588,657
Current assets				
Inventories	1,314	1,314	1,314	198
Amounts due from associates	18,341	279,277	–	–
Financial assets at fair value through profit or loss	76,356	–	429,380	64,608
Other receivables, deposits and prepayments	100,990	770,031	756,290	113,798
Trade, bills and tariff adjustment receivables	363,284	1,228,359	1,445,469	217,498
Pledged bank deposits	61,000	–	–	–
Restricted cash	18,341	206,150	19,539	2,940
Cash and cash equivalents	212,672	947,154	889,148	133,789
	852,298	3,432,285	3,541,140	532,831
Total Assets	7,167,834	12,969,309	14,099,199	2,121,488
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital	354,915	385,804	393,086	59,147
Reserves	1,084,586	1,739,519	2,094,757	315,196
	1,439,501	2,125,323	2,487,843	374,343
Non-controlling interests	44,249	104,631	145,338	21,868
Total equity	1,483,750	2,229,954	2,633,181	396,211
Liabilities				
Non-current liabilities				
Bank and other borrowings	1,626,676	4,305,778	4,434,553	667,261
Convertible bonds	826,191	1,986,936	2,465,749	371,018
Contingent consideration payables	696,536	580,691	–	–
Cash-settled share-based payment	16,073	23,570	–	–
Deferred government grant	4,160	4,210	2,210	333
Deferred tax liabilities	246,278	281,532	286,152	43,057
	3,415,914	7,182,717	7,188,664	1,081,669
Current liabilities				
Trade payables	186	89,638	–	–
Other payables and accruals	1,677,969	1,792,566	1,572,921	236,675
Amounts due to associates	30,199	25,328	–	–
Bank and other borrowings	504,013	703,821	1,694,900	255,029
Convertible bonds	–	924,023	1,009,533	151,904
Other financial liability at fair value through profit or loss	55,803	21,262	–	–
	2,268,170	3,556,638	4,277,354	643,608
Total Liabilities	5,684,084	10,739,355	11,466,018	1,725,277
Total equity and liabilities	7,167,834	12,969,309	14,099,199	2,121,488

RISK FACTORS

You should carefully consider the risks described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this offering memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes as well as the Issuer's ability to pay interest on, and repay the principal of, the Notes. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This offering memorandum also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-Looking Statements" elsewhere in this offering memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

Risks Relating to Our Business and the Solar Power Industry

The reduction, modification or elimination of government subsidies and economic incentives may reduce the economic benefits of the solar power plants we own or acquire or develop.

In the PRC, where we are currently active, and in the countries where we intend to establish business operations, solar power markets, particularly the on-grid PV systems market, are not currently commercially viable without government subsidies or economic incentives. The cost of generating electricity from solar energy in these markets currently exceeds, and very likely will continue to exceed for the foreseeable future, the cost of generating electricity from conventional and other non-solar renewable energy sources. These subsidies and incentives have been primarily in the form of government subsidies, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar energy products.

The availability and size of such subsidies and incentives depend, to a large extent, on political and policy developments relating to environmental concerns in a given country and the overall cost of developing solar power plants. Adjustments to subsidies and economic incentives in the PRC are subject to the sole discretion of the PRC government. The MOF, the NDRC and the NEB have historically jointly issued notices in relation to registration onto the Renewable Energy Tariff Subsidy Catalogues, and most recently have issued the 6th Batch Catalogue in September 2016, which allowed solar power plants that have achieved on-grid connection before a certain cut-off date but were not registered in the previous catalogues, to be registered. Registration on such catalogues would allow such solar power plants to receive FITs from the relevant Government authorities. Although the majority of our solar power plants, accounting for approximately 78.0% of our aggregate installed capacity, as of September 30, 2016, have been registered on Renewable Energy Tariff Subsidy Catalogues, we may not be successful in registering any of our un-registered solar power plants on any of the prospective catalogues and any solar power plants that are not registered would not be eligible to receive FITs. Failure of any our solar power plants to receive FITs could have a material adverse effect on our business, financial condition, results of operations and prospects.

As the renewable energy industry becomes more mature, the PRC government may reduce the applicable on-grid tariffs. For example, along with the development of the solar energy industry, the NDRC established uniform on-grid tariffs for solar energy based on resource zones, and such new on-grid tariffs were lower than those generally available to solar energy projects established prior to the change. In December 2015, the NDRC announced a reduction in FITs in response to generally lower project costs for newly constructed solar power plants. The FIT for Regions 1, 2 and 3 was cut by RMB0.1/kWh, RMB0.07/kWh and RMB0.02/kWh, respectively. In December 2016, the NDRC announced a further reduction in FITs for solar power projects registered after January 1, 2017 and the FIT for Regions 1, 2 and 3 was cut by RMB0.15/kWh. RMB0.13/kWh and RMB0.13/kWh, respectively. For the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, we recorded RMB254.5 million, RMB455.4 million and RMB332.4 million, respectively, in tariff adjustments made through the receipt of FITs from the Government, which accounted for approximately 51.1%, 122.0% and 129.1% of our profit before income tax for the same periods. We also recorded a grant from the Government of RMB2.0 million in 2015 for us to upgrade our solar power generation systems.

We are also entitled to various preferential tax treatments, including tax exemptions and reductions for enterprise income taxes and VAT or business tax refunds. For example, under the relevant tax rules and regulations, subject to fulfilling certain registration requirements with the relevant PRC tax bureaus, an eligible environmental protection project is entitled to an enterprise income tax exemption for the first three years after such project becomes operational and a 50% tax reduction for the following three years. In addition, project companies for our solar energy projects are entitled to refunds of up to 50% of the applicable VAT up to December 31, 2018. If we fail to maintain our qualification for preferential tax treatment, or if any such preferential tax treatment either expires or is discontinued, our tax expenses could increase substantially, and as a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Government subsidies and incentives for solar energy may be reduced or eliminated in the future, which may reduce our profitability and diminish the availability of our opportunities to continue to develop or acquire suitable developed solar power plants. A significant reduction in the scope or discontinuation of government incentive programs in the PRC or our target markets could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on broader governmental policy goals and other specific regulations that may be changed or legally challenged

In addition to the direct economic benefits we receive from government subsidies and economic incentives, we rely in significant part on the goals of industrial and local government activities, including broad policies or specific regulations that promote or mandate, among other things, reductions in carbon or other greenhouse gas emissions, minimum biofuel content in fossil fuel or the use of energy from renewable sources generally. If the businesses to which such regulations relate were deregulated or if such regulations were materially changed or weakened, the profitability of our current and future projects could suffer, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We depend on a number of subsidiaries of the State Grid Corporation of China and the Inner Mongolia Power (Group) Co., Ltd for a significant portion of our revenues and any decrease in purchases of electricity from any one or all of them or any decrease in on-grid tariff adjustments received from the relevant government authorities could adversely affect our business and results of operations.

We are dependent on the subsidiaries of the State Grid Corporation of China (the "**State Grid**") and the Inner Mongolia Power (Group) Co., Ltd (the "**Inner Mongolia Grid**") for a significant portion of our revenue and we also depend on relevant PRC government authorities for all of our on-grid tariff adjustments. These subsidiaries of the State Grid and the Inner Mongolia Grid, together, accounted for approximately 99.5%, 99.7% and 99.8% of our total revenues in the years ended December 31, 2014

and 2015 and the six months ended June 30, 2016, respectively. On-grid tariff adjustments from the relevant PRC government authorities accounted for approximately 67.1%, 72.2% and 73.5% of our total revenues over the same periods.

We anticipate that revenue from electricity sold to subsidiaries of the State Grid and the Inner Mongolia Grid and on-grid tariff adjustments from the relevant PRC government authorities will continue to account for a significant portion of our total revenues for the foreseeable future, and, consequently, expect to continue to be significantly dependent on revenues from the State Grid and the Inner Mongolia Grid, and on-grid tariff adjustments from the relevant PRC government authorities. The loss of any of the State Grid and its subsidiaries or the Inner Mongolia Grid as customers, a reduction in their demand for electricity, a material adverse change in their financial condition, or a reduction in the on-grid tariff adjustments received from the relevant PRC government authorities could, in turn, have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend to a significant extent on the availability of additional funding options with acceptable terms.

We require a significant amount of capital to fund the acquisition and/or the development of our solar power projects and other aspects of our operations. We may also require additional capital as a result of changing business conditions or other future developments, including any investments or acquisitions in upstream segments of the solar power industry we may decide to pursue, in order to remain competitive.

Historically, we have used bank loans, issuances of medium term notes and convertible notes, and loans from leasing companies to fund our project development. We have significantly benefitted from support from our shareholders when raising funds. In 2015, China Merchants Fund Management Limited, an associate of China Merchants Group Limited ("**CMG**"), the parent company of China Merchants New Energy Group ("**CMNEG**"), our largest shareholder, provided us with support by subscribing for our convertible bonds on what we believe were favorable terms. CMNEG also provided a keepwell deed for our medium term notes, which we issued in 2015. We expect to expand our business through debt and equity financing from third-parties, including banks, insurance companies, private equity funds, utility companies and conglomerates. However, we cannot guarantee that we will be successful in locating additional suitable sources of financing when required or at all, or on terms or at costs that we find attractive or acceptable. We cannot guarantee that our shareholders will continue to support our fund raising efforts. In addition, rising interest rates could adversely impact our cost of capital and ability to otherwise secure financing on favorable terms.

We began strategically growing our solar power plant portfolio in 2013. Acquiring and developing solar power plants require significant upfront capital expenditure. Our ability to obtain external financing is subject to a number of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the general condition of the equity and debt capital markets;
- regulatory and Government support in the form of tax credits, rebates, FIT price support schemes and other incentives;
- the continued confidence of banks and other financial institutions in our company and the solar power industry; and
- our ability to comply with any financial covenants under the debt financing.

Additional funds may not be available on terms commercially acceptable to us. Failure to manage discretionary spending and raise additional financing as required may adversely impact our ability to achieve our intended business objectives, which could, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

The delay between making significant upfront investments in our solar power plants and receiving the corresponding revenue could materially and adversely affect our liquidity, business and results of operations.

We have in the past and may in the future acquire or develop solar power projects before they are listed on the Renewable Energy Subsidy Catalogue, in order to become eligible to receive the government on-grid subsidy. In such instances, we only receive the benchmark electricity price from the customer, and do not receive the amount of government on-grid subsidies for electricity generated between the period of signing the relevant PPA and the listing of the project on the Renewable Energy Subsidy Catalogue until after the solar power project is listed on the Renewable Energy Subsidy Catalogue. Our solar power plants may not be successfully listed on such catalogue, and we would therefore not be eligible to receive the government on-grid subsidy. Similarly, the process of having our solar power plants listed may take longer than expected, which would prolong the interval of time between our investment in the solar power plant and our receipt of the government on-grid subsidy, which typically comprises a significant proportion of the total amount we receive on electricity sales. Occurrence of either of the foregoing may adversely impact our liquidity and resources, and materially and adversely affect our business, financial condition and results of operations.

Further, when we develop solar power plants, there are generally several months or even years between our initial investments and the point when we begin to receive on-grid tariffs from the sale of electricity generated by such solar power plants from the relevant government authorities. Such investments include, without limitation, legal, accounting and other third-party fees, costs associated with feasibility studies, payments for land rights, government permits, EPC contractor fees, PPA deposits or other payments that may be non-refundable. Furthermore, we have historically relied on bank loans, issuances of medium term and convertible notes, and loans from leasing companies to pay for the costs and expenses incurred during project development.

Solar power plants generate revenue only after becoming commercially operational and start to sell electricity to the power grid. There may be a long delay from the initial land and interconnection assessments to the actual commencement of construction of the photovoltaic components, especially when we must obtain permits directly from regulators and site control rights directly from third-party land owners. Between our initial investments in solar power plants and their connection to the transmission grid, there may also be other adverse developments to the commercial or operational viability of such solar power plants. The timing gap between our upfront investments and actual generation of revenue, or any added delay in between due to unforeseen events, could also put strains on our liquidity and resources, and materially and adversely affect our business, financial condition and results of operations.

We may not be able to develop or acquire additional attractive solar power plants to grow our project portfolio.

Our current business strategy emphasizes further growth of the number of our solar power plants and expansion of our operations into new geographical areas. We compete for project awards based on, among other things, pricing, technical and engineering expertise, financing capabilities, past experience and track record. It is difficult to predict whether and when we will be awarded a new solar power plant that meets our requirements for solar power generation performance and investment return. The bidding and selection process is also affected by a number of factors, including factors which may be beyond our control, such as market conditions or government incentive programs. Our competitors may have greater financial resources, a more effective or established localized business presence or a greater willingness or ability to operate with little or no operating margins for sustained periods of time. Any

increase in competition during the bidding process or reduction in our competitive capabilities could have a significant adverse impact on our market share and on the margins we generate from our solar power plants.

Other difficulties executing this growth strategy, particularly in new geographical locations we may enter, include:

- accurately prioritizing geographic markets for entry, including estimates on addressable market demand;
- obtaining construction, environmental and other permits and approvals;
- securing land rights or other site control;
- managing local operational, capital investment or components sourcing regulatory requirements;
- connecting to the power grid on schedule and within budget;
- transmitting electricity when there is insufficient grid capacity;
- identifying, attracting and retaining qualified development specialists, technical engineering specialists and other personnel;
- securing cost-competitive financing on attractive terms; and
- collecting FIT payments and other economic incentives as expected.

These foregoing factors could adversely affect our business, financial condition and results of operations.

We may not conduct adequate due diligence of a solar power plant prior to an acquisition that is sufficient to reveal all potential future issues.

We conduct a due diligence investigation of target solar power plants that we may potentially acquire or otherwise purchase an interest in. Intensive due diligence is time consuming and expensive due to the technical, accounting, financial and legal professionals who are typically required to be involved in the due diligence process. Even if we conduct extensive due diligence on a potential acquisition, we cannot assure you that this due diligence will reveal all material issues that may affect a particular acquisition, or that factors outside the control of the target business and outside of our control will not later arise. If our due diligence review fails to identify issues specific to a potential acquisition or the environment in which the acquisition target operates, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges. Even though these charges may be non-cash items and may not have an immediate impact on our liquidity, they could reflect a decrease in the expected future revenues of a solar power plant, and the fact that we report charges of this nature could contribute to negative market perceptions about us or our prospects.

Our growth prospects and future profitability depend to a significant extent on our ability to make further acquisitions of solar power projects or participate in solar power projects through partly owned companies.

Our growth in the solar power industry, especially with respect to solar power plants, has been through acquiring equity interests in solar power plants developed by third parties. We expect such acquisitions or co-operation through various forms of partnerships and investments with third parties to hold or build operating solar power plants to continue to be an important element of our business model.

Our business activities and growth are in certain circumstances conducted through associated companies and/or companies where we are not the sole shareholder. Our ability to receive dividends and other payments from such companies depends not only upon such companies' cash flows and profits, but also upon the terms of our agreements with the shareholders of such companies. Conflict or disagreement with such shareholders may lead to deadlock and result in the Group's inability to pursue its desired strategy and/or force it to exit from such companies. Also, as a result of agreements with such shareholders, or by virtue of not being the sole shareholder, we may be restricted from having the freedom to carry out our business as we desire.

We cannot assure you that our partners in such companies will continue their relationships with us in the future or that we will be able to pursue our strategies with respect to growing our solar power plant portfolio without support from these partners. Furthermore, the partners in such companies may (a) have economic or business interests or goals that are inconsistent with our company; (b) undergo a change of control; (c) experience financial and other difficulties; or (d) be unable or unwilling to fulfil their obligations under the relevant agreements with the shareholders, which may materially adversely affect our business, financial condition and results of operations.

We may not be able to find suitable sites for the development of solar power plants.

We select sites for solar power plant development based on criteria such as solar irradiation of the site, meteorological conditions, applicable FITs and government subsidies, and conditions for local grid connection, electricity transmission infrastructure and demand for electricity in the locality, and sites fulfilling these criteria can only be found in a limited number of geographic areas. Our competitors may impede our development efforts by acquiring control of all or a portion of a site we seek to develop. Even when we have identified a desirable site for solar power plant, our ability to obtain land use rights with respect to the site is subject to our ability to finance the transaction and growing competition from other solar power producers that may have better access to local government support, financial or other resources. If we were unable to find or obtain land use rights for suitable sites on commercially acceptable terms, our ability to develop new solar power plants on a timely basis or at all might be harmed, which could have a material adverse effect on our business, financial condition and results of operations.

We do not own all of the land on which our assets are located, which could result in disruption to our operations.

We do not own all of the land on which our solar power plants and other assets are located and we are, therefore, subject to the possibility of less desirable terms and increased costs to retain necessary land use if we do not have valid leases or rights-of-way, or if such leases or rights-of-way lapse or terminate. Although we have obtained rights to construct and/or operate these assets pursuant to related agreements or concessions, our rights to conduct those activities are subject to certain exceptions, including the term of the agreement or concession. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, may adversely affect our ability to operate our solar power plants or other assets.

Our electricity generation and, in turn, our financial condition and results of operations, depend on the operating performance of our solar power plants.

As with all solar power companies, our solar power business and our ability to generate revenue depend upon the operating performance of our solar power plants. A solar power plant's non-performance or under-performance will have a direct negative effect on that solar power plant's return on investment, financial condition and results of operations. The ongoing operation of our facilities involves risks that include the breakdown or failure of equipment or processes or performance below expected levels of output or efficiency due to wear and tear, latent defects, design error, operator error or force majeure events, among other things. Furthermore, some solar power plants, in particular plants using newly developed technology, have relatively short operating histories, and the operating performance of our solar power plants may not be comparable to that of imported solar power plants

with more established operating histories. This could result in electricity generation falling short of projected levels or being more costly to generate than anticipated. Our inability to efficiently operate our solar energy assets, manage capital expenditures and costs and generate earnings and cash flow from our asset-based businesses could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our project operations may be adversely affected by weather and climate conditions, natural disasters and adverse work environments.

Solar power plants depend on the amount and intensity of sunlight, which is affected by weather and climate conditions. Adverse meteorological conditions can have a material impact on the plant's output and could result in production of electricity below expected output, which in turn could adversely affect our profitability. Furthermore, production of solar energy is seasonal, which may create increased demands on our working capital reserves and short-term borrowing capacity during periods where cash generated from operating activities are lower. Although our annual budget takes into account seasonal fluctuations, in the event that our working capital reserves and short-term borrowing capacity are insufficient to meet our financial requirements, or in the event that the restrictive covenants under our financing arrangements restrict our access to such facilities, we may require additional equity or debt financing to maintain our solvency. Additional equity or debt financing may not be available when required or available on commercially favorable terms or on terms that are otherwise satisfactory to us, in which event our financial condition may be materially adversely affected. In addition, we may operate in areas that are under the threat of floods, earthquakes, landslides, mudslides, sandstorms, drought, or other inclement weather and climate conditions or natural disasters. If inclement weather or climatic conditions or natural disasters occur in areas where our solar power plants and project teams are located, project development, connectivity to the power grid and the provision of O&M services may be adversely affected. In particular, materials may not be delivered as scheduled and labor may not be available. As many of our solar power plants are located in the same region, such solar power plants may be simultaneously affected by weather and climate conditions, natural disasters and adverse work environments.

During periods of curtailed activity, we may continue to incur operating expenses. We may bear some or all of the losses associated with such unforeseen events. Moreover, natural disasters which are beyond our control may adversely affect the economy, infrastructure and communities in the locations where we conduct our business operations. Such conditions may result in personal injuries or fatalities or have an adverse effect on our work performance, progress and efficiency.

Negative economic conditions in the PRC may reduce demand for electricity.

Demand for electricity in the markets in which we operate is generally influenced by both the local and global macroeconomic environment. Adverse global financial conditions, the slowdown in the growth of the PRC economy more generally have resulted in a marked slowdown in global and regional growth as well as economic contractions in certain domestic markets within the PRC. We cannot assure you that such slowdowns will not persist and result in lower demand for electricity produced by us or that any future negative economic downturn will not negatively affect us. Any future global or economic uncertainty may cause a slowdown of economic activity in the PRC and other markets in which we operate, and, in turn, result in a decrease in the demand for and consumption of electricity by end users, which may adversely affect our business, financial condition and results of operations.

Failure to manage our growing and changing business could have a material adverse effect on our business, prospects, financial condition and results of operations.

We intend to expand our business significantly within the PRC and in a number of new selected markets in the future. As we grow, we expect to encounter additional challenges with our internal processes, external construction management, capital commitment process, project funding infrastructure and financing capabilities. Our existing operations, personnel, systems and internal controls may not be adequate to support our growth and expansion and may require us to make additional unanticipated

investments in our infrastructure. To manage the future growth of our operations, we will be required to improve our administrative, operational and financial systems, procedures and controls, and maintain, expand, train and manage our growing employee base. We will need to hire and train project development personnel to expand and manage our project development efforts. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies successfully or respond to competitive pressures. As a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We also plan to expand our business overseas and we recently entered into a sale and purchase agreement to acquire six operational solar power plants in the United Kingdom. However, we have no experience operating solar power plants outside the PRC, and we have limited experience with foreign meteorological conditions, regulatory environments and market practices. We cannot assure you that we will be able to successfully penetrate any overseas market. In connection with our efforts to expand overseas, we may encounter cultural and linguistic differences as well as difficulties in keeping abreast of market, business, and technical developments in foreign jurisdictions. Future international expansion of our business may also stretch our management resources and make it difficult for our corporate management to effectively monitor local execution teams. Any failure in successfully conducting our overseas expansion could materially and adversely affect our business, financial condition and results of operations.

Similarly, as a result of this expansion and any future international expansions we may undertake, we will generate a portion of our revenues and incur a portion of our expenses in currencies other than Renminbi. Changes in global economic or political conditions, including the proposed exit of Great Britain from the European Union, could result in adverse exchange rate movements, new currency or exchange controls or other restrictions being imposed on our operations or foreign remittances. Because our financial results are reported in Renminbi, if we generate revenue or earnings in other currencies, the translation of those results into Renminbi can result in a significant increase or decrease in the amount of those revenues or earnings. Furthermore, to the extent that we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations between such currencies could have an adverse effect on our liquidity or our ability to efficiently utilize our working capital. Therefore, it is possible that volatility in currency exchange rates will have a material adverse effect on our financial condition or results of operations.

We have not received all requisite government approvals or registrations in obtaining land on which our current solar power projects are located and we may not receive such government approvals or registrations for solar power projects that we may acquire or develop in the future.

Land use and property development in the PRC is heavily regulated by the PRC government and we are required to comply with various requirements provided by national and local laws and regulations, including the policies and procedures established by local authorities for the implementation of such laws and regulations. In order to develop and operate a solar power project, we are required to obtain various permits, licenses, certificates and approvals from the relevant authorities, including appropriate land use rights certificates.

There are certain defects in the land use rights we have obtained for land we occupy which involve a majority of our subsidiaries located in the PRC, and our use of such land is not in compliance with the Land Administration Law (《土地管理法》) effective on August 28, 2004 and other applicable rules. We may be subject to fines and other penalties imposed by the relevant governmental authorities due to such defects. A number of our solar power projects are situated on agricultural land, collectively-owned land, government-allocated land and land that is zoned for future development, which is in the process of being re-zoned for our use for solar power project development and operations. The process required to re-zone land and procure the required land use rights generally depends on the type of use for which the land is currently zoned. Re-zoning of agricultural land typically involves paying compensation fees to villagers who occupy the land and approval of re-zoning is also often subject to a vote of affected villagers and to the approval of the related town government. Government allocated land and land zoned

for future development is typically required to be re-zoned to granted land before commercial activity can be undertaken on the land, and this involves paying the requisite land premiums to the relevant government authorities.

Although we have taken the steps necessary to effect the required re-zoning of the aforementioned land, there may be delays on the part of the administrative bodies reviewing our applications and granting approvals, or there may be other impediments that will prevent us from successfully having such land re-zoned for our use. Solar power projects that we acquire or develop in the future may also be situated on land that has not been re-zoned for our purposes or we may fail to obtain all the permits, approvals or registrations in the process of obtaining the relevant land use rights. If we fail to procure the required re-zoning of land on which our solar power plants are situated or fail to obtain relevant permits, approvals or registrations, we may be compelled to vacate the relevant plot of land and restore the land to the condition it was in prior to our occupation and use, which could materially and adversely affect our business, financial condition and results of operations.

We have failed to obtain, and may fail to maintain, the approvals, permits, licenses and certificates required for the construction of our solar power projects.

We are required to obtain various approvals, permits, licenses and certificates from various governmental authorities for the construction and development of our solar power projects. In general, our solar power projects under construction require a permit for construction land planning (建設用地規劃許可證), a permit for construction project planning (建設工程規劃許可證) and a permit for commencement of construction work (建築工程施工許可證). Once construction is completed, we must pass relevant completion inspections by a number of governmental authorities in order to obtain various completion certificates for construction work, including a construction completion inspection certificate, an environmental protection inspection certificate, a water and soil conservation facility inspection certificate and a fire control inspection certificate. A majority of our PRC subsidiaries did not obtain all of the necessary permits for construction work or all of the inspection certificates necessary for construction work. As a result, the relevant government authorities may impose fines on us, order us to stop construction or demolish completed buildings or structures, or impose other penalties on us with respect to the relevant solar power projects. We may be unable to obtain the relevant approvals, permits, licenses or certificates in a timely manner or at all. Any fines or orders to rectify or demolish non-compliant buildings or structures may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to obtain or maintain the approvals, permits, licenses and certificates required for our business operations in a timely manner.

We are required to obtain various approvals, permits, licenses and certificates from various governmental authorities for our business operations. Our solar power projects require, among others, project registration with the competent Development and Reform Commission and electric power business permits from the relevant provincial or regional energy departments before becoming operational and able to sell electricity to the relevant grids. See "Regulations." Procedures for granting such permits vary geographically, and certain projects may not receive their approvals or permits in a timely manner for a variety of reasons. In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by governmental authorities and the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. Any changes in the existing policies in relation to the renewal criteria or standards of compliance may result in our failure to obtain or maintain such approvals, permits, licenses and certificates, which could lead to the imposition of fines and other penalties or incurrence of additional compliance costs which would in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

One of our PRC subsidiaries is in the process of re-registration with the Development and Reform Commission of the Inner Mongolia Autonomous Region in respect of its solar plant project and five of our newly acquired PRC subsidiaries are in the process of applying for the electricity generation business permits immediately after they have achieved on-grid connection, and they have already started to generate revenues prior to the obtaining of such registrations or permits. We cannot assure you that we will be able to obtain the required approvals, licenses, registrations, permits and certificates in a timely manner or at all. If we fail to obtain the required approvals, permits, licenses and certificates, we may be subject to fines and penalties imposed by the relevant governmental authorities, which could amount to five times the amount of revenue that has been generated by the relevant project prior to the grant of the necessary registrations or permits, and we may be required to suspend the operation of such facilities pending the receipt of the necessary registrations or permits. The applicable PRC laws do not expressly provide the length of such suspension from operations and, as such, any suspension from operations may be for an indefinite period. Any penalties, allegations or proceedings arising from the lack of required approvals, licenses, permits and certificates may have an adverse effect on our business, financial condition, results of operations and prospects.

Failure of our PRC resident beneficial owners to fulfill their registration obligations under PRC regulations relating to the establishment of offshore special purpose companies may materially and adversely affect our business operations.

On 21 October 2005, the State Administration of Foreign Exchange (the "**SAFE**") issued the Circular Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》)(the "**Circular 75**"), which became effective on 1 November 2005. On 4 July 2014, Circular 75 was superseded by the Circular Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)(the "**Circular 37**") issued by SAFE. Circular 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "**offshore SPV**") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV, such as its company name, business term, shareholding by PRC resident, merger, division and, with respect to the PRC resident, in case of any increase or decrease of capital in the offshore SPV, or transfer of shares or swap of shares by the PRC resident. Failure to comply with the required SAFE registration or update requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, making payment of dividends and other distributions to, and the receipt of capital inflows from, the offshore SPV. Failure to comply with Circular 37 may also subject relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our PRC resident beneficial owners, through certain offshore SPVs, indirectly hold shares of equity in us, a company registered in Bermuda and listed on the Hong Kong Exchange. Not all of our PRC resident beneficial owners may have duly fulfilled their registration obligations under Circular 37. In case of failure of registration with SAFE under Circular 37 by our PRC resident beneficial owners, our PRC subsidiaries may not be able to remit foreign currency payment out of China, which may materially and adversely affect our business operations and financial status and our ability to make payments under the Notes.

Our future success depends significantly on the continued service of our senior management team and our ability to attract, train and retain qualified personnel.

The industry experience, expertise and contributions of our Chief Executive Officer, Mr. Alan Li, are essential to our continuing success. We will continue to rely on the contributions of our senior management, regional management and other key employees to implement our growth plans. If we were to lose the services of any of our senior and regional management members and were unable to train or recruit and retain personnel with comparable qualifications, the management and growth of our business could be adversely affected.

Our success is also largely attributable to the qualified and experienced project development teams that we have been able to train, attract and retain in the past. We may not be able to continue to train, attract and retain high quality personnel, including executive officers, project development personnel, project management personnel and other key qualified personnel who have the necessary experience and expertise. In particular, as we plan to enter new markets in the PRC and in other countries, we expect to face challenges in finding and retaining qualified local personnel who are familiar with local regulatory regimes and adequately experienced in project development and operations.

There is substantial competition for qualified personnel in the downstream solar power industry. Our competitors may be able to offer more competitive packages, or otherwise attract our personnel. Our costs to retain qualified personnel may also increase in response to competition. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labor force on a continuous basis, our business operations could be adversely affected and our future growth and expansions may be inhibited.

If sufficient demand for solar power plants does not develop or takes longer to develop than we anticipate, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Many factors may affect the demand for solar power plants, including:

- the cost and availability of credit, loans and other forms of financing for solar power plants
- fluctuations in economic and market conditions that affect the viability of conventional and non-solar renewable energy sources
- the cost effectiveness of solar power plants compared to conventional and other non-solar energy sources
- the performance and reliability of solar power plants compared to conventional and other non-solar energy sources
- the availability of grid capacity to dispatch power generated from solar power plants
- the availability of government subsidies and incentives to support the development of the solar power industry
- public perceptions of the direct and indirect benefits of adopting renewable energy technology
- the success of other alternative energy generation technologies, such as fuel cells, wind power and biomass
- regulations and policies governing the electric utility industry that may present technical, regulatory and economic barriers to the purchase and use of solar energy and

- the deregulation of the electric power industry and the broader energy industry.

If market demand for solar power plants fails to develop sufficiently, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We must maintain grid connection for solar power plants to continue operating.

When we develop and construct solar power plants, before obtaining the project approval of the NDRC or the relevant provincial DRC, we must first obtain the relevant local grid company's consent to connect our solar power plants to the local company's grid. Obtaining the grid company's consent to such connection may depend on a number of factors, including the availability and the reliability of existing grids, the progress of construction and upgrade of local grids, the distance of our proposed solar power plants from the local grids and the cost of these grid connection facilities. Furthermore, solar power plants and other energy facilities of our competitors located in sites near our solar power plants may compete with us to secure grid connection. Many of these factors are beyond our control, and there is no assurance that it will be able to obtain all necessary consents for our new solar power projects in a timely manner, or at all. Failure to obtain grid company consent to connect to its grid may delay or prevent the development of our solar power projects.

Similarly, once connected to the local grid, our solar power plants depend on electric interconnection and transmission facilities owned and operated by others to deliver the electricity we intend to sell. A failure or delay in the operation or development of these interconnection or transmission facilities or a significant increase in the cost of the development of such facilities could result in the loss of revenues. Similarly, if a transmission network to which one or more of our existing or future solar power plants is connected experiences "down time," the affected project may lose revenue as a result. Such failures or delays could limit the amount of power our operating facilities deliver or delay the completion of our construction projects, as the case may be. If a region's electric transmission infrastructure is inadequate, our recovery of wholesale costs and profits may be limited. Consequently, such failures, delays, increased costs or inadequacies could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Curtailment of the electricity we produce by PRC government entities could have an adverse affect on our business, financial condition, and results of operations

In order for us to successfully distribute electricity and sell electricity the local grids to which our solar plants are connected must have the capacity to off-take our electricity and distribute it to its customers. This requires a stable connection to the transmission and distribution network of the local grid in the localities we operate as well as the capacity of the grid to absorb and transmit our electricity. Grid absorption constraints have been an issue in the PRC where limited grid capacity due to, among other things, obsolete transmission equipment, has resulted in the inability of some grids to absorb large amounts of the electricity we produced. This, in turn, has led to PRC government entities and regulators to enact a curtailment process in situations where solar power on the local grid exceeds total grid demand and/or capacity. We cannot assure you that our solar power plants will not be affected by such curtailment programs. Any prolonged implementation of curtailment programs that apply to our solar power plants could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face significant competition in the markets in which we operate.

We face competition from local and international developers of solar power plants, many of whom are integrated with upstream manufacturers, and other renewable power producers, such as wind and hydro power producers. We believe our main competitors in the solar power space are solar power producers such as GCL New Energy Holdings Limited, CECEP Solar Energy Co Ltd, and Shunfeng International Clean Energy Limited, the larger publicly listed solar power producers. We also face indirect competition in circumstances where large local and multinational corporations operating in the

PRC establish their own distributed solar power projects. For instance, companies such as Haier, Volkswagen and Coca-Cola have established solar power plants of under 20MW for use in their own operations in the PRC.

We also compete with utilities generating power from conventional fossil fuels and other sources of renewable energy, including diversified but wind focused power producers, such as Huadian Fuxin Energy Corporation Limited, Huaneng Renewables Corporation Limited and Beijing Jingneng Clean Energy Co Ltd, the larger publicly listed diversified wind focused power producers with installed solar power capacities of over 450MW. We compete with these traditional utilities primarily based on price, predictability of price and the ease with which customers can switch to electricity generated by our solar power plants. If we cannot offer compelling value to our customers based on these factors, then our business will not grow. Traditional utilities generally have substantially greater financial, technical, operational and other resources than we do, and as a result may be able to devote more resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can.

Some of our competitors may have advantages over us in terms of greater operational, financial, technical, management or other resources in particular markets or in general. Our market position depends on our financing, development and operational capabilities, reputation, and experience. Our competitors may also enter into strategic alliances or form affiliated companies with other competitors to our detriment. Suppliers or contractors may merge with our competitors, and may also provide them cost efficiencies that put us at a competitive disadvantage which may limit our choices of contractors, and hence the flexibility of our overall project execution capabilities. We cannot assure you that our current or potential competitors will not offer solar power plants or services comparable or superior to those that we offer at the same or lower prices or that they will not adapt more quickly than we do. Increased competition may result in price reductions, reduced profit margins and loss of market share.

We may fail to keep pace with technological changes in the rapidly evolving renewable energy industry.

The technologies used in the renewable energy industry are evolving rapidly, and in order to maintain our competitiveness and expand our business we must be able to respond to these technological changes. We may be unable to update our technologies swiftly and regularly, possibly rendering our operations less competitive. Failure to respond to current and future technological changes in the renewable energy industry in an effective and timely manner may have a material adverse effect on our business, financial condition or results of operations.

Solar power project development and construction is challenging and may ultimately not be successful, which can have a material adverse effect on our business, financial condition and results of operations.

The development and construction of solar power plants involve numerous risks and uncertainties and require extensive research, planning and due diligence. We may be required to incur significant amounts of capital expenditure for land and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a solar power plant is economically, technologically or otherwise feasible. Success in developing a particular solar power plant is contingent upon, among other things:

- securing suitable project sites, necessary rights of way, and satisfactory land rights in the appropriate locations with capacity on the transmission grid;

- negotiating and receiving required permits and approvals for project development from government authorities on schedule, including procuring rights to interconnect the solar power plant to the electric grid or to transmit energy;

- negotiating satisfactory engineering, procurement and construction agreements and favorable payment terms with suppliers;
- signing PPAs or other arrangements that are commercially acceptable, including adequate for providing financing;
- obtaining construction financing, including debt financing and our own equity contribution; and
- completing construction on schedule.
- successful completion of a particular solar power plant may be adversely affected by numerous factors, including without limitation:
- unanticipated changes in project plans or defective or late execution;
- difficulties in obtaining and maintaining governmental permits, licenses and approvals required by existing laws and regulations or additional regulatory requirements not previously anticipated;
- the inability to procure adequate financing with acceptable terms, especially for engineering, procurement and construction;
- unforeseeable engineering problems, construction or other unexpected delays and contractor performance shortfalls or delays;
- labor, equipment and materials supply delays, shortages or disruptions, work stoppages or unexpected price increases;
- adverse weather, environmental and geological conditions, force majeure and other events out of our control; and
- cost overruns due to any one or more of the foregoing factors.

Accordingly, some of the solar power plants in our pipeline may not be completed or even proceed to construction. If a number of solar power plants are not completed, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to stringent environmental regulations that may affect our profitability and results of operations.

Existing regulations, and changes to such regulations, may present technical, regulatory and economic barriers to the construction and operation of our photovoltaic power plants, which may significantly reduce our profitability. Installation of photovoltaic power systems is subject to oversight and regulation in accordance with international and local ordinances, building codes, zoning, environmental protection regulation, utility interconnection requirements and other rules and regulations. For example, various governmental, municipal and other regulatory entities subject the installation and operation of the plants, and any other component of our solar power plants, to the issuance of relevant permits, licenses and authorizations, as well as to ongoing oversight. If such permits, licenses and authorizations are not issued in a timely fashion or are issued and later revoked, this could result in the interruption, cessation or abandonment of one or more of our solar power plants, or may require making significant changes to one or more of our solar power plants, any of which may cause severe losses. Similarly, violation of such regulations may give rise to significant liability, including fines, damages, fees and expenses, and site closures. These governmental authorities may also impose a tax or other liens on the responsible parties to secure the parties' reimbursement obligations.

Environmental regulation has changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. For example, our activities are likely to be covered by increasingly strict national and international standards relating to climate change and related costs, and may be subject to potential risks associated with climate change, which may have a material adverse effect on our business, financial condition or results of operations. We cannot predict the amounts of any increased capital expenditures or any increases in operating costs or other expenses that we may incur to comply with applicable environmental, or other regulatory, requirements, or whether these costs can be passed on to our counterparties through price increases.

We may be subject to unforeseen costs, expenses or liabilities when operating and maintaining our solar power plants.

We perform scheduled and unscheduled maintenance for our solar power plants and subcontract certain on-the-ground O&M services, including security and repair, to third parties, who may not perform their services adequately.

If we or our third-party contractors fail to properly operate and maintain our solar power plants, the solar power plants may experience decreased performance levels, reduced useful life or shutdowns. Through changes in our own operation or in local conditions, the costs of operating a project may increase, including costs related to labor, equipment, insurance and taxes. If our contractors are careless or negligent, resulting in damage to third-parties, we may become liable for any resulting damage. We may also experience equipment malfunction or failure, leading to unexpected maintenance needs, unplanned outages or other operational issues. In addition, inconsistencies in the quality of solar panels, PV modules, and balance of system components or maintenance services for our solar power plants may affect the system efficiency of our solar power plants. We may also encounter difficulties selling electricity to the power grid due to failures in infrastructure or transmission systems. To the extent that any of the foregoing affects our ability to sell electricity to the power grid, or we incur increased costs in relation to operating and maintaining solar power plants, our business, financial condition and results of operation could be materially and adversely affected.

Our assets and operations are subject to hazards customary to the electricity generation industry, and we may not have adequate insurance to cover all these hazards.

Our main assets include solar power plants and interconnection infrastructure. Operating these assets involves risks and hazards that may adversely affect our operations, including equipment failures, natural disasters, environmental hazards and industrial accidents. These and other hazards can cause significant personal injury or death, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. We may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws. We carry business interruption insurance for the majority of our solar power plants. We have also entered into insurance policies to cover certain other risks associated with our business including machinery insurance, employer liability insurance and public liability insurance. While we believe this insurance coverage is commensurate with our business structure and risk profile, there is no assurance that our current insurance policies will fully insure us against all risks and losses that may arise in the future. In addition, our insurance policies are subject to annual review by our insurers, and there is no assurance that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, it could have a material adverse effect on our business, financial condition or results of operations.

We are subject to counterparty risks under our equity transfer agreements, our PPAs and FIT support schemes.

A majority of our solar power plants were acquired from third-parties, with whom we have entered into equity transfer agreements, pursuant to which we acquire their equity interests in project companies that own and operate the solar power plants. From time to time, such third parties may provide us with a minimum annual electricity output guarantee for a five to 20 year period for the solar power plants sold and agree to compensate us for any loss we suffer as a result of any shortfall of electricity output. Often, the project companies owning the solar power plants have had entered into grid connection agreements and PPAs with offtakers but have not obtained the required government approvals for the receipt of subsidies for the electricity generated prior to such third parties selling their shares in the project company to us. In such instances, the equity transfer agreements typically provide for a downward adjustment in consideration payable by us if the government approvals for such subsidies are not obtained. If these third parties do not honor their minimum annual electricity output guarantees and compensate us for losses suffered due to a shortfall of electricity produced or do not refund to us amounts paid to account for downward adjustments of consideration payable for their solar power plants in circumstances where government approvals for subsidies are not obtained, our results of operations and financial condition may be materially and adversely affected.

We generate revenue by selling electricity primarily pursuant to FIT price support schemes and PPAs, which subject us to counterparty risks with respect to local power grid companies and regulatory regimes. Our FIT price support schemes and PPAs in the PRC are generally signed with a limited number of local power grid companies, all of which are PRC state-owned companies. We rely on these local power grid companies and the relevant PRC government entities to fulfill their responsibilities for the full and timely payment of our tariffs. In addition, the relevant regulatory authorities may retroactively alter their FIT price support regimes in light of changing economic circumstances, changing industry conditions or for any number of other reasons. If the relevant PRC government authorities or the local power grid companies do not perform their obligations under the FIT price support schemes and PPAs but we are unable to enforce our contractual rights, our results of operations and financial condition may be materially and adversely affected.

If we fail to comply with the financial and other covenants under our loan agreements, our financial condition, results of operations and business prospects may be materially and adversely affected.

We enter into loan agreements containing financial and other covenants that require us to maintain certain financial ratios or impose certain restrictions on the disposition of our assets or the conduct of our business or give prior notification for certain events. While we are currently in compliance with all financial and other covenants, we may not be able to comply with some of those financial and other covenants from time to time. In addition, we typically provide pledges over our solar power plant assets or over our account or trade receivables to raise debt financing, and we are restricted from creating additional security over our assets. Such account or trade receivables will include all income generated from the sale of electricity of the solar power plants. If we are in breach of one or more financial or other covenants or negative pledge clauses or other obligations under any of our loan or other financing agreements and are not able to obtain waivers from the relevant lenders or prepay such loan, this breach would constitute an event of default under the relevant loan or other financing agreement. As a result, repayment of the indebtedness under the relevant loan or other financing agreement may be accelerated, which may in turn require us to repay the entire principal amount, including interest accrued if any, of certain of our other existing indebtedness prior to their maturity under the cross-default provisions of our other financing agreements. If we are required to repay a significant portion or all of our existing indebtedness prior to its maturity, we may lack sufficient financial resources to do so. In that case, the relevant pledgees may auction or sell the assets or interest of our solar power plants to enforce their rights under the pledge contracts and loan agreements. Any of those events could have a material adverse effect on our financial condition, results of operations and business prospects.

Our substantial indebtedness could adversely affect our business, financial condition and results of operations.

We require a significant amount of capital to meet our capital requirements and fund our operations, including payments to suppliers for PV modules and balance of system components and to contractors for design, engineering, procurement and construction services. We believe our substantial indebtedness will increase as we expand our business operations. As of June 30, 2016, we had US$255.0 million in outstanding short-term bank and other borrowings (including the current portion of long-term bank borrowings) and US$667.3 million in outstanding long-term bank and other borrowings (excluding the current portion).

The amount of our debt could have significant consequences on our operations, including:

- reducing the availability of our cash flow to provide working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt service obligations;
- limiting our ability to obtain additional financing;
- increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- potentially increasing the cost of any additional financing.

Any of these factors and other consequences that may result from our substantial indebtedness could have an adverse effect on our business, financial condition and results of operations as well as our ability to meet our debt payment obligations. Our ability to meet the payment obligations of our outstanding debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control.

We had a working capital deficit as of December 31, 2015 and June 30, 2016. If we are not able to generate adequate operating cash flow or obtain adequate financing, we will face the risk of not being able to continue as a going concern.

As of June 30, 2016 and December 31, 2015, our current liabilities exceeded our current assets by RMB736.2 million and RMB124.4 million, respectively, which indicated the existence of a material uncertainty that may cast significant doubt on our ability to continue as a going concern. See Note 2 of the audited consolidated financial statements as of and for the year ended December 31, 2015 and unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2016 included elsewhere in this offering memorandum. Our continuation as a going concern is dependent upon our ability to secure a substantial amount of funds in the foreseeable future to finance our upcoming financial obligations and our capital expenditures under various contractual and other obligations. There is no assurance that we would generate sufficient cash flow either through our operations or our financing plans or measures. Our independent auditor, PricewaterhouseCoopers, included in their audit report for the year ended December 31, 2015 an emphasis of matter as to the significant doubt on our ability to continue as a going concern although PricewaterhouseCoopers gave an unqualified opinion for the year ended December 31, 2015. Our financial statements have been prepared on a going concern basis. In the event that we are unable to continue as a going concern, adjustments would have to be made to write down the carrying values of our 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. Our inability to continue as a going concern would materially and adversely affect our financial condition, results of operations and business prospects. In the event we are unable to continue as a going concern and go through bankruptcy proceedings, Noteholders may not be able to recover their principal and/or interest.

We are subject to risks associated with fluctuations in the prices of PV modules and balance of system components or in the costs of design, construction and labor.

We generally engage EPC contractors to develop our solar power plants. Our EPC contractors are typically responsible for sourcing all the necessary components and materials required for construction, the cost of which are built into a fixed fee that we have mutually agreed upon prior to the commencement of the construction of the solar power plants. Although we do not have to pay any additional amounts to our EPC contractors if the prices of components or materials were to rise after the fixed fee has been agreed upon, we expect an increase in the prices of system components or in the costs of design, construction and labor to result in an increase in the fixed fees we have to pay our EPC contractors for prospective solar power plant development. If electricity prices do not increase at a rate commensurate with the prices of such components or materials, future solar power plant development may not be profitable for us.

We also procure supplies and spare parts for the operation and maintenance of our solar power plants, including PV modules and balance of system components, from third-party suppliers. We generally do not maintain long-term contracts with our suppliers that commit to fixed prices. Increases in the prices of system components or fluctuations in labor and installation costs may increase the cost of procuring equipment and engaging contractors, which materially and adversely affect our results of operations.

If we fail to comply with governmental procurement laws and regulations, we could lose business and be liable for various penalties or sanctions.

We must comply with relevant laws and regulations relating to the formation, administration and performance of government contracts. These laws and regulations affect how we conduct business with our government customers. Failure to comply with these laws and regulations can lead to contractual damages or severe penalties, both civil and criminal, or suspension and disqualification from contracting with the local governments. For example, if a company makes an incorrect, false or fraudulent claim to the government for payment or approval, it could be subject to potentially substantial penalties. If we fail to comply with these laws and regulations, our reputation may be damaged, which could impair our ability to secure government contracts in the future or renew existing contracts. A determination of non-compliance with applicable contracting and procurement laws, regulations and standards could also result in the local governments imposing penalties and sanctions against us, including suspension of payments and increased government scrutiny that could delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts, or compete for contracts with the local governments in future. Any of the above could have a material and adverse impact on our business, financial condition, results of operations and prospects.

Our facilities are subject to governmental actions on urban planning and re-development which may result in expropriation and unilateral termination of our facilities without adequate compensation.

Our facilities in China are subject to political and regulatory uncertainties relating to urban planning, zoning and re-development, and may be affected by government actions to cancel contracts, renounce or default on contractual obligations, renegotiate terms unilaterally, or expropriate assets from time to time with little, if any, prior notice. There can be no assurance that we will identify and acquire the required land as per our schedule of implementation. Furthermore, there can be no assurance that the operations of our remaining facilities will not be suspended or terminated by the government due to changes in urban planning or other regulatory or policy reasons in the future. In the event of any suspension or termination, we may experience a material decrease in revenues and profits. Moreover, legal or financial remedies available to compensate us for expropriation or other governmental takings may be inadequate, which could result in the total loss of an investment in our facilities. Any of these could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have substantial shareholders that may exert substantial influence over us and may not act in the best interests of our independent shareholders or the Noteholders.

As of June 30 2016, China Merchants New Energy Group Limited ("**CMNEG**") and other parties deemed to be acting in concert with CMNEG (together, the "**Substantial Shareholders**") had a total interest of approximately 24.4% of our then outstanding shares. Subject to our bye-laws and applicable laws and regulations, our Substantial Shareholders will, through its representatives on our Board of Directors or by voting at the general meetings of shareholders, be able to influence our major corporate policy decisions, including our senior management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment to our bye-laws and other actions that require the approval of our Board of Directors and shareholders. The interests of our Substantial Shareholders may not necessarily be aligned with the interests of our shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company. We cannot guarantee that our Substantial Shareholders will influence our Company to pursue actions that are in the best interests of the other shareholders.

Unauthorized use of our technical processes or know-how or any claims or litigation that we may initiate in the future to protect our intellectual property or other proprietary commercial information may have a material adverse impact on our business.

Our business relies substantially on a combination of trade secrets, technical processes, know-how and other proprietary information. See "Business – Intellectual Property." Our proprietary information has contributed significantly to the efficiency of our facilities, the quality of our operation and our ability to secure new projects and purchase orders. Such information is subject to risks of disclosure, misappropriation or misuse. If we fail to protect our intellectual property or rights adequately, our competitors might gain access to our technology. We cannot guarantee that the steps we have taken will prevent unauthorized use or misappropriation of our technology. Monitoring unauthorized use of our intellectual property is difficult and expensive and we may not be able to immediately detect the unauthorized use of our intellectual property and proprietary information and take remedial steps to protect our rights. Additionally, applicable laws may not fully protect our intellectual property rights or proprietary information. Any claims or litigation that we may initiate in the future to protect our intellectual property rights or proprietary information could be time-consuming and expensive, diverting resources from our business regardless of whether or not the disputes are decided in our favor. Moreover, any significant infringement upon our intellectual or other proprietary rights could weaken our competitive position, increase our operating costs and have a material adverse effect on our business, financial condition, results of operations and prospects.

We may infringe on the intellectual property rights of others, and we may face claims that may be costly to resolve or limit our ability to use such technology in the future.

As we expand our business, third parties may assert that our technologies or techniques violate their intellectual property rights. Successful intellectual property claims against us could result in significant financial liability or prevent us from operating our business or parts of our business. Despite our efforts to comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights which may force us to alter our technologies, obtain additional licenses or cease significant portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of their merits, such claims could adversely affect our relationships with current or future customers, result in costly litigation, cause product shipment delays or stoppages, divert management's attention and resources, subject us to significant liabilities, require us to enter into additional royalty or licensing agreements or require us to cease certain activities. Any of the foregoing could adversely affect our business, financial condition, results of operations and prospects.

We may be involved in disputes or legal and other proceedings arising out of our operations from time to time.

We may be involved in disputes with various parties, including local governments, suppliers, customers, brokers and contractors. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development and operation schedule, and the diversion of resources and management's attention, regardless of the outcome. We may also have disagreements with regulatory authorities in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties or delay or disrupt the development and operations of our facilities. In particular, resolution of disputes with any governmental entities may be costly and difficult. Any disputes with governmental entities could potentially lead to revocation of necessary permits or our PPAs with the state-owned grid companies if the disputes are not successfully resolved and it may take a substantially longer period of time to resolve such disputes than disputes with private counterparties. Our remedies for contractual breaches by governmental counterparties may be limited or unavailable because the contractual parties are public entities, making it difficult and time consuming to enforce any claims against them through legal proceedings. In some circumstances, governmental entities may require us to change our construction methods, operation or other performance terms, or direct us to redesign our projects or purchase specific equipment or undertake additional obligations, thereby subjecting us to additional costs. Resolution of any disagreement with such counterparties with respect to such changes may be costly and time-consuming. If the governmental entities change or terminate any contract with us, our revenues could be reduced, our business plans may be adversely affected and our business, financial condition, results of operations and prospects may be materially affected.

Certain facts, forecasts and statistics are derived from publications not independently verified by us, the Joint Bookrunners or our or their respective advisors.

Facts and other statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts, forecasts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Joint Bookrunners or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Risks Relating to Conducting Business in the PRC

Substantially all of our assets are located in the PRC and our revenue is likewise sourced almost exclusively from the PRC. Accordingly, our results of operations, financial position and prospects are directly affected by the economic, political and legal developments in the PRC.

The Company and the Subsidiary Guarantors may be deemed PRC resident enterprises under the EIT Law and be subject to PRC taxation on their worldwide income

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and the related regulations, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered PRC "resident enterprises" and subject to 25% PRC income tax on their worldwide income, although dividends paid from one resident to another may qualify as "tax-exempt income." The implementation rules to the EIT Law define the term "de facto management body" as a "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise." A circular issued by the

State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are primarily located within the PRC; (ii) financial and human resources decision are subject to determination of approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. The State Administration of Taxation issued a circular, which became effective on September 1, 2011, and provides that a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" and thus subject to the EIT Law. We currently take the position that as of the date of this offering memorandum the Company and the Subsidiary Guarantors are not PRC "resident enterprises." However, there is uncertainty as to whether the Company or any Subsidiary Guarantor will be treated as a PRC "resident enterprise" for the purpose of the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Company or any Subsidiary Guarantor were treated as a PRC "resident enterprise," the Company or any such Subsidiary Guarantor, as applicable, will be subject to PRC income taxes at the rate of 25% on its worldwide income, which may adversely affect such entity's profitability and distributable profit to shareholders.

PRC economic, political and social conditions as well as government policies could affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- the overall structure;
- the level of government intervention;
- the overall growth rate of the economy as a whole;
- the level of control of foreign exchange; and
- the allocation of resources.

While the PRC's economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC's economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC's economy. However, since early 2004, the PRC government has implemented certain measures in order to prevent the PRC's economy, including the property market, from overheating. These measures may cause a decrease in the overall level of economic activity, including the demand for residential properties, and may also have an adverse impact on economic growth in the PRC. If China's economic growth slows or if the PRC's economy experiences a recession, the demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected.

In addition, the demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- the imposition of additional restrictions on currency conversion and remittances abroad.

Inflation in China may have a material adverse effect on our business, financial condition and results of operations.

While the PRC's economy has experienced rapid growth, such growth has been uneven among the various sectors of the economy and in different geographic areas of the country. Rapid economic growth can lead to growth in the money supply and inflation. If the prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, then our business, financial condition and results of operations may be materially and adversely affected. To control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such restrictive measures can lead to a slowdown in the economic growth and may materially and adversely affect our business, financial condition and results of operations.

Governmental control of currency conversion may limit our ability to use capital effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive the majority of our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign-currency-denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange of the PRC ("**SAFE**") by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign-exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current-account transactions. If the foreign-exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The labor contract law and other labor laws and regulations in the PRC may adversely affect our business and profitability.

The Labor Contract Law (《劳動合同法》) promulgated in the PRC on June 29, 2007 and amended on December 28, 2012, effective on July 1, 2013, imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, the hiring of temporary employees and dismissing employees. Pursuant to the Labor Contract Law, an employer is required to make severance payments to a fixed-term contract employee when the term of their employment contract expires, regardless if the employee refuses to renew the contract or if the new contract contains better terms than the lapsed contract. Generally, the amount of severance payable is equal to the monthly wage of the employee multiplied by the number of full years that the employee worked for the employer. A

minimum wage requirement has also been incorporated into the Labor Contract Law. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which came into effect on January 1, 2008, employees who have continuously worked for more than one year are entitled to a paid holiday ranging from five to 15 days, depending on their length of service. Employees who agree to waive part or all of their holiday entitlement at the request of their employers must be compensated with three times their normal daily salaries for each day of holiday entitlement being waived. However, under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020), effective February 2, 2013, employers are required to provide employees paid annual leave by 2020. As a result of the Labor Contract Law and related regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could have a material adverse effect on our business, financial condition or results of operations.

In addition, in accordance with relevant PRC labor laws and regulations, we are required to contribute to a number of employee social insurance schemes, including medical, maternity, work-related injury, unemployment and pension insurance, and to the employee-housing provident fund. We also provide social insurance and contribute to the housing provident fund for our employees. However, the interpretation and implementation of PRC labor laws and regulations is still evolving and we cannot assure you that our employment practices will at all times be deemed fully compliant with local PRC government authorities' interpretation and implementation of relevant PRC labor laws and regulations. Changes in labor laws or regulations in the PRC may result in us incurring significant costs in order to maintain compliance with such laws and regulations and may delay or prevent project completion. Any failure to comply with such labor regulations may result in penalties, revocation of permits or licenses for our operations or litigation, and as a result, our business, financial condition and results of operations could be materially and adversely affected.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you.

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Even where adequate laws exist in China, the enforcement of existing laws, or contracts based on existing laws, may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after having violated them. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. All these uncertainties could limit the legal protection available to foreign investors, including investors in the Notes.

It may be difficult to effect service of process on our Directors or executive offers who reside in the PRC or to enforce any judgments against us or them in the PRC that are obtained from non-PRC courts.

A majority of our senior management members reside in mainland China, and substantially all of their and our assets are located in mainland China. Therefore, it may be difficult for investors to effect service of process upon them or us inside mainland China, or to enforce any judgments against them or

us in mainland China that are obtained from non-PRC courts. Although an agreement was reached between China and Hong Kong on reciprocal recognition and enforcement of judgments of civil and commercial cases on July 14, 2006, effective August 1, 2008, the agreement has been subject to restrictions, such as being limited to civil and commercial cases. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of Bermuda, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court outside the PRC in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fire, droughts or epidemics. Our business, financial condition and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous injury and loss of life, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases, some of which were fatal. In particular, any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business, including the limitation of our ability to travel or ship materials within the PRC. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which may in turn have a material and adverse effect on our results of operations, financial condition and business.

Risks Relating to the Notes and the Subsidiary Guarantees

The vast majority of the Company's subsidiaries that operate solar power plants are subject to financing arrangements that allow the creditors to prohibit or limit the relevant subsidiary from paying dividends or otherwise distributing funds to its parent company or other group entities upon occurrence of an event of default or until the arrangements are fully repaid or the prohibitions or limitations are otherwise waived.

The vast majority of the Company's subsidiaries that operate solar power plants are subject to financing arrangements that provide the creditors the right to require the subsidiaries to pay income to the creditors before paying dividends or otherwise distributing funds to their parent companies or other group entities until the arrangements are fully repaid. As a result thereof, the Company's ability to access cash generated by its project companies may be limited if the creditors enforce their rights. Unless the subsidiaries are able to service such financings, repay such financings or otherwise seek creditor accommodations to access such cash, the Company's ability to fund its liquidity needs, including interest and principal payments due under the Notes, may be limited. In addition, for as long as the payment of dividends from such subsidiaries are subject to restrictions, the income generated by such subsidiaries will not contribute to the Company's Consolidated Net Income (as defined under "Description of the Notes – Definitions"). As a result, the Company will not be able to incur debt under the first paragraph of the "Limitation on Indebtedness" covenant in the "Description of Notes" section, which will further restrict the Company's ability to operate within the confines of certain other covenants in the "Description of Notes" and will force the Company to operate in a more constrained manner. See "- Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We are a holding company with no material operations. We conduct a significant majority of our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2016, our Non-Guarantor Subsidiaries had total liabilities in the amount of RMB12,218.9 million (US$1,838.6 million) and capital commitments in the amount of RMB927.1 million (US$139.5 million). The Notes and the Indenture permit us, the Subsidiary Guarantors and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of such Subsidiary Guarantor securing the related obligations over claims of holders of the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total indebtedness as of December 31, 2014 and 2015, and June 30, 2016, were RMB4,621 million, RMB9,685 million and RMB10,982 million (US$1,652 million), respectively.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "–The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future."

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, or if our guarantors are unable to perform their guarantee obligations and we are unable to secure alternative guarantees, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled "Description of Other Material Indebtedness." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occur, our assets may not be sufficient to pay, or support the payment of, amounts due on the Notes.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See "Description of Other

Material Indebtedness – Bank Loans." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar.

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 25% from July 21, 2005 to June 30, 2016. In August 2015,

the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous trading date, the supply and demand for foreign exchange, as well as changes in major international currency exchange rates. Shortly after the announcement, the central parity rate of the Renminbi against the U.S. dollar depreciated substantially. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their respective affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

We may not be able to repurchase the Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of a Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

Interest paid by us to our foreign investors and gain on the sale of our Notes may be subject to withholding taxes under PRC tax laws.

We may be treated as a PRC resident enterprise for PRC tax purposes. See "– Risks Relating to Our Business – We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest paid on the

Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC "resident enterprise." If we are required under the EIT Law to withhold PRC income tax on interest paid to foreign holders of the Notes, we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise."

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest paid to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes – Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The insolvency laws of Bermuda and British Virgin Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because we are incorporated under the laws of Bermuda, an insolvency proceeding relating to us or any such Subsidiary Guarantor, even if brought in the United States, would likely involve insolvency laws of Bermuda, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct a significant majority of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to

bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank before they remit foreign currencies out of China. In the case of dividends, relevant tax filling forms with a seal affixed by the competent tax authority (if the dividends exceeds US$50,000) and, in the case of shareholder loans, evidence of the registration of the loan with SAFE must be presented. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;

- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures.

We may make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will ultimately obtain or be able to maintain a listing on the SGX-ST, or that, even if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of "B+" by Standard and Poor's Ratings Services and "B1" by Moody's Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a long-term corporate credit rating of "BB-" by Standard and Poor's Rating Services and a corporate family rating of "Ba3" by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book-entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Our initial Subsidiary Guarantors do not currently have significant operations.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the section entitled "Description of the Notes – The Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations

under the Notes if we are unable to do so. See the section entitled "– We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Bermuda, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its assets at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee, subordinates such guarantee to other indebtedness of the Subsidiary Guarantor, or holds the Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$241.0 million, which we plan to use to repay certain outstanding amounts under our convertible bonds, see "Description of Other Material Indebtedness – Convertible Bonds." Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions").

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to December 31, 2013, the value of the Renminbi appreciated by approximately 26.9% against the U.S. dollar. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
		(RMB per US$1.00)		
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016				
January	6.5752	6.5726	6.5932	6.5219
February	6.5525	6.5501	6.5795	6.5154
March	6.4480	6.5027	6.5500	6.4480
April	6.4738	6.4754	6.5004	6.4571
May	6.5798	6.5259	6.5798	6.4738
June	6.6459	6.5892	6.6481	6.5590
July	6.6371	6.6771	6.7013	6.6371
August	6.6776	6.6466	6.6778	6.6239
September	6.6685	6.6702	6.6790	6.6600
October	6.7303	6.7735	6.7819	6.6685
November	6.8402	6.8837	6.9195	6.7534
December	6.9198	6.9430	6.9580	6.8771

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2016, which is determined by averaging the daily rates during the period.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
		(HK$ per US$1.00)		
2011	7.7663	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016				
January	7.7876	7.7812	7.8270	7.7505
February	7.7763	7.7829	7.7969	7.7700
March	7.7563	7.7604	7.7745	7.7528
April	7.7570	7.7556	7.7570	7.7537
May	7.7689	7.7635	7.7689	7.7582
June	7.7591	7.7620	7.7709	7.7568
July	7.7588	7.7568	7.7588	7.7540
August	7.7568	7.7560	7.7609	7.7528
September	7.7555	7.7564	7.7585	7.7534
October	7.7570	7.7549	7.7600	7.7536
November	7.7560	7.7566	7.7581	7.7546
December	7.7586	7.7534	7.7674	7.7534

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2016, which is determined by averaging the daily rates during the period.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2016 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the unaudited condensed consolidated interim financial information of the Company as at June 30, 2016, and related notes included in this offering memorandum.

	As of June 30, 2016			
	Actual		As adjusted	
	RMB'000	*US$'000*	*RMB'000*	*US$'000*
Cash and cash equivalents	889,148	133,789	2,490,810	374,789
Short-term borrowings:[(1)]				
Convertible bonds	1,009,533	151,903	1,009,533	151,903
Bank borrowings	879,887	132,395	879,887	132,395
Loans from leasing companies	759,513	114,283	759,513	114,283
Loans from third party	55,500	8,351	55,500	8,351
Construction costs payable	1,236,463	186,049	1,236,463	186,049
Other payables and accruals	140,416	21,128	140,416	21,128
Total short-term borrowings	4,081,312	614,109	4,081,312	614,109
Long-term borrowings:				
Convertible bonds	2,465,749	371,018	2,465,749	371,018
Bank borrowings	2,711,036	407,926	2,711,036	407,926
Loans from leasing companies	1,626,270	244,703	1,626,270	244,703
Medium-term notes	97,247	14,633	97,247	14,633
Notes to be issued[(2)]	–	–	1,601,662	241,000
Total long-term borrowings	6,900,302	1,038,280	8,501,964	1,279,280
Total equity	2,633,181	396,211	2,633,181	396,211
Total capitalization[(3)]	9,533,483	1,434,491	11,135,145	1,675,491

Notes:

(1) Short-term borrowings include the current portion of long-term borrowings.

(2) The net proceeds from the Notes (with the aggregate principal amount of US$250 million), after deduction of underwriting discounts and commissions and other estimated offering expenses of US$9.0 million, is approximately US$241.0 million.

(3) Total capitalization equals total long-term borrowings plus total equity.

We issued US$50 million of 6.50% convertible bonds to Power Revenue Limited in August 2016, see "Description of Other Material Indebtedness – Convertible Notes" and HK$98.0 million of 6.75% medium term notes due 2019 under our MTN Program to Ayers Alliance Securities (HK) Limited after June 30, 2016, see "Description of Other Material Indebtedness – Medium Term Notes." In October 2016, we redeemed the principal amount of our US$120 million 5.0% convertible bonds that matured in October 2016.

In December 2016, we issued 50,000,000 of our shares to each of Power Revenue Limited, an indirect non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd., and CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd., at a subscription price of HK$0.6 per share, the net proceeds of which, after deduction of expenses related to the issuance, was approximately HK$59.8 million. We intend to use the net proceeds from this share issuance for general working capital purposes, including funding of our business development activities and refinancing of existing indebtedness.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization and indebtedness since June 30, 2016.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the selected consolidated financial information of the Company as at and for the periods indicated.

The selected consolidated financial information as of and for the year ended December 31, 2014 set forth below is derived from the audited consolidated financial statements of the Company for the year ended December 31, 2015 and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, including the notes thereto, which are included elsewhere in this offering memorandum. The 2014 comparative financial information as contained therein was restated to reflect the change in accounting policy with effect from January 1, 2015 when the Company changed its presentation currency from HK$ to RMB for the preparation of its consolidated financial statements. Having considered the principal activities of the Company are mainly conducted in the PRC where the functional currency of those subsidiaries in the PRC are denominated in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Company's transactions in these consolidated financial statements. The change in presentation currency have been applied retrospectively. The 2014 figures were translated from HK$ to RMB using the applicable closing rates for items in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

The selected consolidated financial information as of and for the year ended December 31, 2015 set forth below is derived from the audited consolidated financial statements of the Company for the year ended December 31, 2015 which have been audited by our independent auditor, PricewaterhouseCoopers and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, including the notes thereto, which are included elsewhere in this offering memorandum.

The selected consolidated financial information as of and for the six months ended June 30, 2015 and 2016 set forth below is derived from the unaudited condensed consolidated interim financial information of the Company for the six months ended June 30, 2016 which has been reviewed by our independent auditor, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagement 2410 and should be read in conjunction with the unaudited interim condensed consolidated financial statement of the Company for the six months ended June 30, 2016, including the notes thereto, which are included elsewhere in this offering memorandum. Such unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2016 should not be taken as an indication of the expected business, financial condition and results of operations for the full year ending December 31, 2016.

The Company's audited consolidated financial statements were prepared and presented in accordance with HKFRS and the Company's unaudited condensed consolidated interim financial information were prepared and presented in accordance with Hong Kong Accounting Standard 34.

Selected Consolidated Income Statements

	For the year ended December 31,		Six months ended June 30,		
	2014	2015	2015	2016	
	(RMB) (Restated)	*(RMB)* (Audited)	*(RMB)* (Unaudited) (in thousands)	*(RMB)* (Unaudited)	*(US$)* (Unaudited)
Continuing operations					
Sales of electricity	124,846	175,256	77,576	119,960	18,050
Tariff adjustment	254,518	455,418	205,610	332,472	50,027
	379,364	630,674	283,186	452,432	68,077
Other income	–	1,950	250	27,075	4,074
Reversal of impairment charge on other receivables	8,382	–	–	–	–
Employee benefits expenses	(53,217)	(69,736)	(33,936)	(50,067)	(7,533)
Legal and profession fees	(3,516)	(7,618)	(3,878)	(3,128)	(471)
Maintenance costs	(37,922)	(47,652)	(27,666)	(17,014)	(2,560)
Other expenses	(15,939)	(43,873)	(5,598)	(32,912)	(4,952)
Sales of solar energy related products	35,500	306,615	–	–	–
Cost of sales of solar energy related products	(35,195)	(289,998)	–	–	–
EBITDA [(1)]	277,457	480,362	212,358	376,386	56,635
Acquisition costs arising from business combinations	(2,401)	(4,822)	(1,085)	(7)	(1)
Depreciation of property, plant and equipment	(144,801)	(242,176)	(107,048)	(166,544)	(25,060)
Bargain purchase arising from:					
(i) Business combinations	35,520	204,506	11,824	4,167	627
(ii) Acquisition of associates	–	9,634	6,787	–	–
Fair value gain/(loss) on financial assets at fair value through profit or loss relating to:					
(i) Call option issued relating to the acquisition of an associate ("Call Option")	–	120,890	142,244	(9,708)	(1,461)
(ii) Guaranteed electricity output	101,146	(76,356)	212,809	305,680	45,995
(iii) Unlisted investment	–	–	–	106,709	16,056
Fair value gain on financial liabilities at fair value through profit or loss relating to:					
(i) Contingent consideration payables	286,221	159,362	(57,637)	36,665	5,517
(ii) Put option issued in relation to acquisition of an associate ("Put Option")	72,967	34,541	(11,813)	21,262	3,199
Fair value gain on previously held interest as a result of business combination	1,617	–	–	–	–
Finance income	162,466	288,122	118,537	67,132	10,101
Finance costs	(306,769)	(637,534)	(269,462)	(493,234)	(74,216)
Gain on disposal of an associate	–	32,840	–	–	–
Share of profits/(losses) of associates	15,127	3,893	(3,161)	9,030	1,359
Profit before income tax	498,550	373,262	254,353	257,538	38,751
Income tax credit	30	–	–	–	–
Profit for the period from continuing operation	498,580	373,262	254,353	257,538	38,751
Discontinued operation					
Loss from discontinued operation	(238,420)	–	–	–	–
Profit for the period	260,160	373,262	254,353	257,538	38,751
Profit attributable to:					
– Shareholders of the Company	251,864	360,670	242,914	248,951	37,459
– Non-controlling interests	8,296	12,592	11,439	8,587	1,292
	260,160	373,262	254,353	257,538	38,751
Profit/(loss) attributable to shareholders of the Company arising from:					
– Continued operations	490,284	360,670	242,914	248,951	37,459
– Discontinued operation	(238,420)	–	–	–	–
	251,864	360,670	242,914	248,951	37,459

Notes:

(1) EBITDA represents earnings before finance income, finance costs, taxation, depreciation and fair value gains/(losses), which also excludes acquisition costs arising from business combinations, share of profits of associates and gain on disposal of an associate. EBITDA is not a measure of performance under HKFRS, but is widely used by management for monitoring business performance of a company from operational perspective.

Selected Consolidated Balance Sheets

	As of December 31,		As of June 30,	
	2014	2015	2016	
	(RMB) (Restated)	*(RMB)* (Audited)	*(RMB)* (Unaudited)	*(US$)* (Unaudited)
	(in thousands)			
Assets				
Non-current assets				
Land use rights	451	440	435	65
Property, plant and equipment	4,581,055	7,419,750	8,414,254	1,266,082
Intangible assets	989,424	949,781	918,097	138,145
Investments in associates	290,627	305,040	281,484	42,355
Other receivables, deposits and prepayments	453,979	741,123	832,607	125,281
Financial assets at fair value through profit or loss	–	120,890	111,182	16,729
	6,315,536	9,537,024	10,558,059	1,588,657
Current assets				
Inventories	1,314	1,314	1,314	198
Amounts due from associates	18,341	279,277	–	–
Financial assets at fair value through profit or loss	76,356	–	429,380	64,608
Other receivables, deposits and prepayments	100,990	770,031	756,290	113,798
Trade, bills and tariff adjustment receivables	363,284	1,228,359	1,445,469	217,498
Pledged bank deposits	61,000	–	–	–
Restricted cash	18,341	206,150	19,539	2,940
Cash and cash equivalents	212,672	947,154	889,148	133,789
	852,298	3,432,285	3,541,140	532,831
Total Assets	7,167,834	12,969,309	14,099,199	2,121,488
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital	354,915	385,804	393,086	59,147
Reserves	1,084,586	1,739,519	2,094,757	315,196
	1,439,501	2,125,323	2,487,843	374,343
Non-controlling interests	44,249	104,631	145,338	21,868
Total equity	1,483,750	2,229,954	2,633,181	396,211
Liabilities				
Non-current liabilities				
Bank and other borrowings	1,626,676	4,305,778	4,434,553	667,261
Convertible bonds	826,191	1,986,936	2,465,749	371,018
Contingent consideration payables	696,536	580,691	–	–
Cash-settled share-based payment	16,073	23,570	–	–
Deferred government grant	4,160	4,210	2,210	333
Deferred tax liabilities	246,278	281,532	286,152	43,057
	3,415,914	7,182,717	7,188,664	1,081,669
Current liabilities				
Trade payables	186	89,638	–	–
Other payables and accruals	1,677,969	1,792,566	1,572,921	236,675
Amounts due to associates	30,199	25,328	–	–
Bank and other borrowings	504,013	703,821	1,694,900	255,029
Convertible bonds	–	924,023	1,009,533	151,904
Other financial liability at fair value through profit or loss	55,803	21,262	–	–
	2,268,170	3,556,638	4,277,354	643,608
Total Liabilities	5,684,084	10,739,355	11,466,018	1,725,277
Total equity and liabilities	7,167,834	12,969,309	14,099,199	2,121,488

INDUSTRY OVERVIEW

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

Overview of the PRC Economy

The PRC experienced significant economic growth between 2005 and 2015 with its real GDP increasing at a CAGR of 9.5% during the period, making the PRC one of the fastest growing economies in the world. Although the global financial crisis in 2008 negatively impacted the PRC's economy, it began to show signs of recovery and growth in early 2009 in part due to strong stimulus support from the PRC government. In particular, the PRC's real GDP increased by 9.6% in 2008. Similarly, in 2009 and 2010, the PRC's real GDP grew 9.2% and 10.6%, respectively, partially driven by the significant government spending and record lending. However, due to the decline in global demand and the PRC's cutting excessive industrial capacity, the PRC's real GDP growth slowed to 9.5% in 2011 and further slowed to 7.7% in 2012 and 2013. The PRC's real GDP further slowed down to 7.3% and 6.9% in 2014 and 2015, respectively, due to slowing momentum in PRC economy and the spillover of volatile global markets. In the Thirteen Five-Year Plan for National Economy and Social Development (the "**Thirteen Five-Year Plan**") published in 2016, the PRC government announced an average annual GDP growth rate of 6.5% or above between 2016-2020.

The PRC Power Industry

The PRC power market is the largest in the world, with an aggregate installed capacity of 1,525GW by the end of 2015. The growth rate of PRC's power industry generally reflected its economic growth rate in the 1990s. However, between 2005 and 2007, power consumption in the PRC grew at a higher rate than real GDP, driven by rapid industrialization and by rising demand in residential power resulting from an increase in per capita income. In 2008 and 2009, the growth of industrial power consumption in the PRC declined, mainly due to the sluggish global economic environment and changes in the PRC economic structure. In 2010 and 2011, however, the power consumption growth in the PRC rebounded and exceeded the growth of the PRC's real GDP, signaling a recovery of the economy. In 2012, the PRC's growth rate of power consumption was lower than the PRC's growth rate of real GDP due to a decline in heavy industrial power consumption, reflecting a decrease in investments in the infrastructure and real estate as well as the improved efficiency in energy consumption. In 2013, the PRC's growth rate of power consumption increased by 3 percentage points to 8.9% and the country's GDP growth was held flat at 7.7%, mainly due to the stable recovery of macroeconomics. In 2014, the PRC's growth rate of power consumption decreased to 4.0% due to further decline in heavy industrial power consumption, whereas the PRC's GDP growth was lowered by 0.4 percentage point to 7.3%, causing power consumption to drop more than the GDP. In 2015, the PRC's growth rate of power consumption further lowered to 1.0% and the PRC's GDP lowered by 0.4% percentage point to 6.9%. This was mainly driven by a continued scaling back of the PRC's reliance on manufacturing and heavy industry as the country geared towards more high-value-added industries.

Year	Real GDP Growth Rate Over Preceding Years (%)	Power Consumption Growth Rate Over Preceding Year (%)
2005	11.3	13.5
2006	12.7	14.6
2007	14.2	14.4
2008	9.6	5.6
2009	9.2	7.2
2010	10.6	13.2
2011	9.5	12.1
2012	7.7	5.9
2013	7.7	8.9
2014	7.3	4.0
2015	6.9	1.0

Sources: The International Monetary Fund and the China Electricity Council

As shown in the table below, even though the PRC had a higher economic growth rate than the industrialized countries and regions presented, it had, in 2015, the lowest per capita electricity consumption among the group presented.

Year	2015 Per Capita Electricity Consumption (kWh)	Real GDP Growth Rate (%)			
		2012	2013	2014	2015
United States	12,213	2.2	1.5	2.4	2.4
Korea	10,592	2.3	2.9	3.3	2.6
Singapore	8,479	3.7	4.7	3.3	2.0
Japan	7,008	1.7	1.4	0.0	0.5
Hong Kong	6,025	1.7	3.1	2.6	2.4
China	3,641	7.7	7.7	7.3	6.9

Sources: The International Monetary Fund, the EIA and the Statistics Bureau of Japan

Background and restructuring of the PRC power industry

In January 1997, the State Power Corporation was established to take ownership of state owned power generation assets and virtually all of the high voltage power transmission grids and local electricity distribution networks in the PRC. The State Power Corporation was responsible for the investment, development, construction, management, operation and ownership of power projects, the inter-connections of interprovincial and interregional electricity grids and the transmission of electricity across regions.

In March 1998, the State Economic and Trade Commission of the PRC ("**SETC**") was established to assume the governmental and administrative functions relating to the power industry. The Electric Power Bureau was established within the SETC and given the responsibility of promoting reform policies and regulations, formulating development strategies, specifying technical requirements and industry practice and supervising the operation of the power industry.

As a result of further restructuring of the PRC power industry, in December 2002, the State Power Corporation was reorganized into two power grid companies and five large independent power generation groups (the "**National Gencos**"). The two power grid companies are the State Grid and the China Southern Power Grid Company ("**Southern Grid").**

Supply and Demand for Power in the PRC

According to BP Statistical Review of World Energy June 2016, electricity generation in the PRC has grown rapidly in recent years. From 2005 to 2015, electricity generation in the PRC grew at a CAGR of 8.8%. The PRC had an aggregate installed capacity of approximately 1,525GW at the end of 2015, according to China Electricity Council. As shown in the following table, with the rapid build-up of installed capacity from 2005 to 2009, the growth in available power supply surpassed demand for power and consequently there was a decrease in utilization hours. In 2010, utilization hours reached 4,572 hours, an increase of 115 hours from the previous year, representing the first rebound in utilization hours since 2004. In 2011, utilization hours continued to increase to 4,646 hours due to strong demand for power, an increase of 74 hours from 2010. In 2012, utilization hours decreased to 4,515 hours due to the slowdown of the economy in the PRC, as reflected by the decrease in the PRC's real GDP growth rate. In 2013, utilization hours maintained stable at 4,518 hours. In 2014 and 2015, utilization hours further decreased to 4,395 and 4,002, respectively, as the PRC's economy reached a stage of moderate GDP growth.

Year	Total Installed Capacity (GW)	Total Electricity Generation (TWh)	Utilization Hours[(1)] (Hours)
2005	517.2	2,500.3	5,211.0
2006	623.7	2,865.7	5,023.6
2007	718.2	3,281.6	4,890.9
2008	792.7	3,495.8	4,627.4
2009	874.1	3,714.7	4,457.2
2010	966.4	4,207.2	4,571.8
2011	1,062.5	4,713.0	4,645.9
2012	1,146.8	4,987.6	4,515.1
2013	1,257.7	5,431.6	4,517.9
2014	1,378.9	5,794.5	4,395.4
2015	1,525.3	5,810.6	4,001.5

Sources: China Electricity Council and BP Statistical Review of World Energy June 2016

Note:

(1) Total electricity generation divided by average total installed capacity (i.e. average of year start and year end) multiple by 1,000

The PRC's Energy and Environment Related Targets

Energy scarcity and environmental deterioration are major global concerns. Due to rapid economic development, rising living standards and continuous increase in per capita energy consumption in the PRC, energy shortage has been a limiting factor for the PRC's economic development. In order to speed up the development of renewable energy, promote energy conservation and reduce pollution, mitigate climate change, and better meet the requirements of sustainable social and economic development, the PRC government targets to increase the non-fossil fuel contribution to primary energy consumption to 15.0% by 2020, 20% by 2030 and 30% by 2050. Moreover, a resolution from the State Council Standing Committee meeting on November 25, 2009, targets a further reduction in China's carbon dioxide emissions per unit GDP by 40-45% from its 2005 level by 2020 and by 60-65% from its 2005 level by 2030.

According to the guidance released by the National Energy Administration ("NEA") on March 3, 2016, by 2020, non-hydroelectric renewable energy should account for between 5% and 13% of total electricity consumption for provinces, municipalities and autonomous regions.

In November 2014, Mr. Xi Jinping, the President of the People's Republic of China, and Mr. Barack Obama, the President of the United States, struck a deal to limit greenhouse gases, with China committing for the first time to cap carbon emissions and Obama unveiling a plan for deeper U.S.

emissions reductions through 2025. In September 2016, the United States and China announced to ratify the Paris climate change agreement, where governments agreed to reduce greenhouse gases emissions, starting from the year 2020, reiterating global awareness of greenhouse gas emissions and commitment to combat the use of fossil fuels.

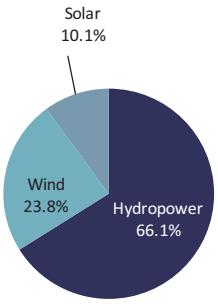
Lastly, the PRC's Thirteen Five-Year Plan aligned with stronger rhetoric on environmental policy and reiterated the government's commitment to reducing coal use and boosting alternative fuels in the power mix, highlighting plans to invest US$6.6 trillion on low-carbon technology, renewables, energy efficiency and emissions reduction products.

The PRC Renewable Energy Industry

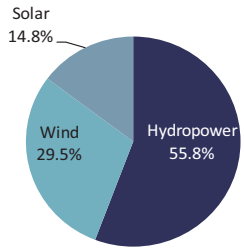
As China is a country with abundant coal resources, conventional thermal power generation represented 65.9% of total installed capacity of the country's power industry at the end of 2015. The second largest electricity generation source is hydropower, which accounted for 20.9% in 2015, whilst the other generation sources, which include wind, nuclear, solar and biomass together accounted for 13.1% of the total installed capacity of the PRC power industry. According to the EIA International Energy Outlook 2016, solar generation capacity in China is expected to increase from 10.1% of total installed renewable capacity in 2015 to 14.8% of total installed renewable capacity in 2020.

The following graphs show the total installed renewable capacity of the PRC power industry by energy type for 2015 and the forecased installed capacity by energy type for 2020:

2015 Actual Renewable Capacity

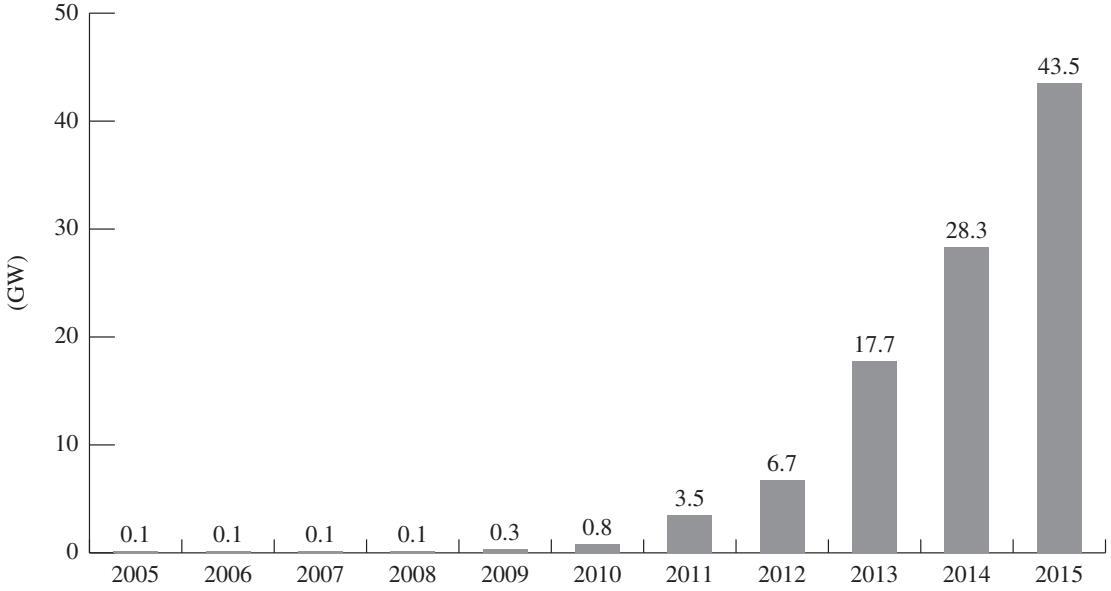


2020 Capacity Target



China demonstrated a robust solar capacity growth with a CAGR of 90.8% in the past 10 years from 2005-2015.

Year End Solar PV Installed Capacity in China from 2005-2015



Sources: EIA International Energy Outlook 2016 and the BP Statistical Review of World Energy June 2016

Electricity Dispatch

In the PRC, the dispatch priority of power generation units is determined in the following sequence pursuant to regulations issued in 1993 and a provisional State Council measure issued in 2007: (i) non-adjustable power generation units utilizing renewable sources, including wind, solar, marine energy and run-of-the-river hydro; (ii) adjustable power generation units utilizing renewable sources, including adjustable hydro, biomass and geothermal energy, as well as waste incineration power generation units meeting certain environmental standards; (iii) nuclear power generation units; (iv) cogen units that meet certain heat to power ratio requirements; (v) gas-fired power generation units; (vi) coal-fired power generation units, including cogen units (other than those included in (iv) above); and (vii) oil-fired power generation units.

Ultra-high Voltage ("UHV") Electricity Transmission Lines

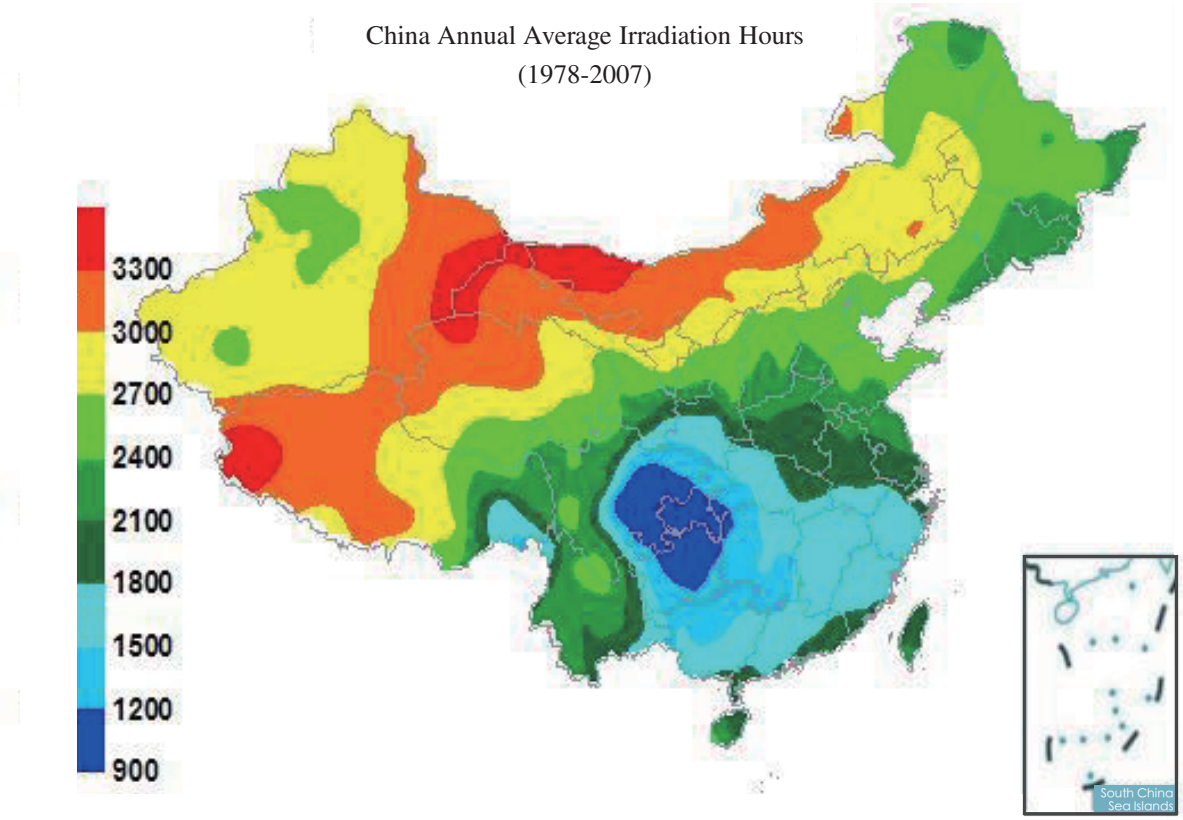
The PRC is building a network of UHV transmission infrastructure, which will allow power plants to be built in Western China to supply electricity to Eastern and Southern China more efficiently. The UHV network will allow enterprises in China to build coal-fired power plants near coal mines as well as connecting local wind capacity and solar capacity in remote locations to consumers directly.

The State Grid is building UHV transmission networks covering North and Central China, and then expand to East China. Pursuant to the White Paper on Promoting the Development of Renewable Energy published by the State Grid on April 2, 2015, the State Grid proposes to continue to support and build cross province electricity transmission lines for renewable energy. By 2020, the length of UHV lines will exceed 95,000 km.

Overview of the PRC's Solar Downstream Market

The PRC solar power generation industry has experienced significant growth to become the largest and fast-growing solar market in the world. China has favorable conditions for solar power generation with average sunshine in two-thirds of China's territory exceeding 2,200 hours per year. The PRC government's FIT program provides a higher FIT for solar power projects located in lower insolation zones such as China's east and south regions to encourage development throughout the country. The illustration below sets forth certain information relating to solar irradiation exposure in China.

China Horizontal Irradiation



Sources: CMA Wind and Solar Energy Resources Center

China's annual PV generation capacity has grown rapidly since 2011, when the PRC government announced the country's new FIT program. China became the largest market in the world by annual capacity additions in 2015, according to the BP statistics, adding approximately 15GW, or 29.9% of new global PV generation capacity. According to the Thirteen Five-Year Plan, from 2016 to 2020, China is expected to have projected cumulative capacity additions of approximately 67GW.

According to the NEA, China has achieved cumulative installed PV capacity of 50.3GW as of March 31, 2016, consisting of 43.3GW of utility-scale projects and 7.0GW of distributed generation ("**DG**") projects.

PRC Regulatory Framework

The PRC government is actively supporting the development of the solar industry and has enacted a number of supportive regulations and policies to support the growth of the solar energy industry.

FIT Regime

Utility-scale projects are built on the ground. Utility-scale projects are generally located in regions in Northern and Western China with high amount of sunshine, as well as large areas of flat topography and proximity to the power grid. Utility-scale projects generally require significantly more initial investments prior to generating revenues due to their larger size. Roof top projects are built on roof tops in industrial zones, commercial areas, residential areas and transportation hubs. Roof top projects are smaller in size and can be readily built in developed areas, and as a result, allowing for more flexibility in project site selection. They can be built close to consumers, reducing the need for grid connection and the construction of transmission lines. However, the total capacity of a roof top project is limited. Most roof top projects are located in Zhejiang and Guangdong Provinces.

In August 2013, NDRC and NEA released the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" (the "**New Tariff Notice**") to launch a new tariff scheme with a FIT of RMB0.90 per kWh, RMB0.95 per kWh, and RMB1.00 per kWh for projects located in Zone 1, 2 and 3, respectively. The standards, scheduled to last 20 years, apply to the solar power plants registered after September 1, 2013 and those registered before September 1, 2013, but which will not start generating electricity until after January 1, 2014. In December 2015, NDRC and NEA further revised FIT for solar power projects that were connected to the grid after June 30, 2016, which will be subject to the new FIT regime. Solar power projects in Zone 1, 2 and 3 which sell all electricity to local grid companies are entitled to a FIT of RMB0.80 per kWh, RMB0.88 per kWh or RMB0.98 per kWh, respectively, reflecting differences across regions in terms of insolation, system installation costs and local electricity prices. The new price adjustment was implemented and approved in December 2015 by NDRC to reflect the drop in solar installation costs. Projects commissioned before June 30, 2016 remain subject to previous 2013 FIT regime. In December 2016, the NDRC announced a further reduction in FITs for solar power projects registered after January 1, 2017 and the new FIT, following such reduction, for Regions 1, 2 and 3 was RMB0.65 per kWh, RMB0.75 per kWh and RMB0.85 per kWh.

Ground-mounted projects receive the FIT for electricity sales in two components. Part of the FIT is paid to solar power project companies from the local grid companies based on the relevant local benchmark electricity price. The remaining portion of the FIT after deducting the local benchmark electricity price is derived from the subsidy payment.

The following table shows these different FIT in different regions.

Zone	Region	FIT resulting from regime changes in 2013[(1)] (RMB/kWh)	FIT resulting from regime changes in 2015[(1)] (RMB/kWh)	FIT resulting from regime changes in 2016[(1)] (RMB/kWh)
Zone 1 . . .	Ningxia, Haixi of Qinghai, Jiayuguan, Wuwei, Zhangye, Jiuquan, Dunhuang and Jinchang of Gansu, Hami, Tacheng, Altay and Karamay of Xinjiang, Inner Mongolia (excluding Chifeng, Tongliao, Xing'anmeng and Hulunbeier)	0.90	0.80	0.65
Zone 2 . . .	Beijing, Tianjin, Heilongjiang, Jilin, Liaoning, Sichuan, Yunnan, Chifeng, Tongliao, Xing'anmeng and Hulunbeier of Inner Mongolia, Chengde, Zhangjiakou, Tangshan and Qinhuangdao of Hebei, Datong, Shuozhou and Xinzhou of Shanxi, Yulin and Yan'an of Shannxi, Qinghai, Gansu, Xinjiang (excluding regions in Zone 1)	0.95	0.88	0.75
Zone 3 . . .	Other regions	1.00	0.98	0.85

Sources: National Development and Reform Commission

Note:

(1) Include VAT

Benchmark Electricity Price

All solar power projects selling electricity to grid companies are paid the local benchmark electricity price. The price of electricity varies among provinces, which is regulated by NDRC. Electricity price in Western China is consistently lower than that in Eastern China. In 2015, the relevant local benchmark electricity price in China was at an average of approximately RMB0.36 per kWh and varied between RMB0.26 per kWh and RMB0.45 per kWh.

Central Government Subsidies

The subsidy payments are made from the Renewable Energy Development Fund, which is funded by electricity consumers who pay a surcharge on their electricity bill through the local grid companies. Effective on January 1, 2016, the NDRC increased the renewable surcharge for electricity consumers from RMB0.015 per kW to RMB0.019 per kW.

Solar power projects generally must complete certain administrative and perfunctory procedures with the relevant authorities of finance, price and energy to be listed in the Subsidy Catalog. Local grid companies will receive government subsidies for projects listed in the Subsidy Catalog and forward such subsidy payments to solar power generation companies.

The most recent Subsidy Catalog was released on September 23, 2016. Previously, Subsidy Catalogs have been released in August 2014, February 2013, December 2012, October 2012, and June 2012. Once a project is listed on the Subsidy Catalog, it will begin to receive subsidies. The project's first payment will include funds for all prior months it has been connected to the power grid.

Tax Incentives

A solar power generation project that has obtained government approval on or after January 1, 2008 is fully exempted from the PRC corporate income tax for three years starting from the year in which revenues are first generated from the sale of electricity, and is 50% exempted from the PRC corporate income tax for another three years thereafter. China's Ministry of Finance recently released an announcement relating to the "Solar Power Value-Added Tax Policy," further extending 50% VAT refund policy for solar power companies from January 1, 2016 to December 31, 2018.

Priority Grid Connection and Electricity Sale

According to the Renewable Energy Law, the Measures for the Supervision and the Administration of Purchase of Full Amount of Renewable Energy by Grid Companies issued by the State Electricity Regulation Commission ("**SERC**") in July 2007 and the Several Opinions on Promoting the Healthy Development of PV Industry issued by the State Council in July 2013 and the guidance to promote renewable energy from NDRC and NEA promulgated on March 27, 2015, local grid companies are required to prioritize the grid connection and ensure the proper operation of solar power projects and purchase the full amount of electricity generated by the solar power projects.

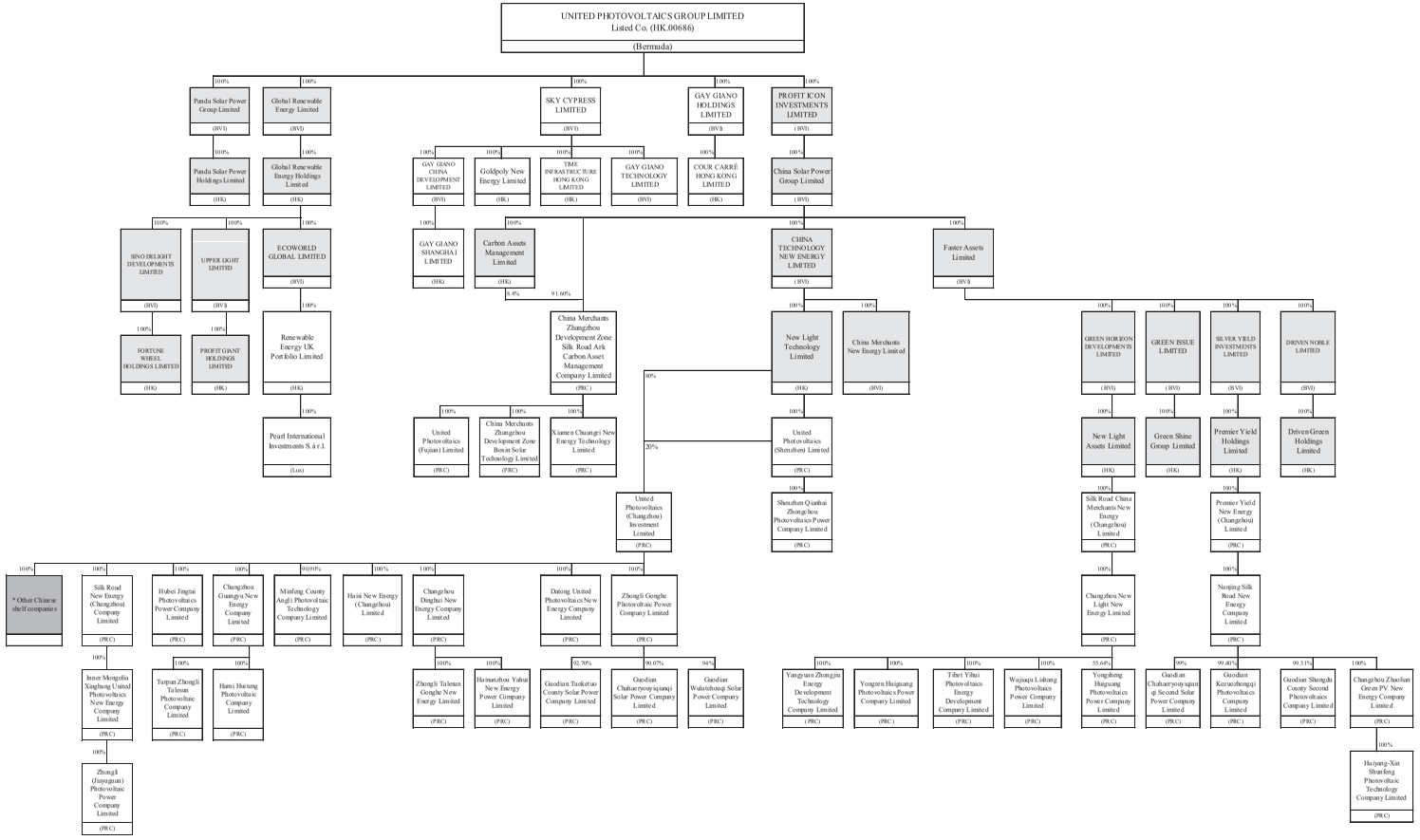
Minimum Utilization Hours

In May 2016, the NDRC has issued a new policy that guarantees a minimum amount of solar and wind power purchased in certain provinces, requiring grid operators to secure utilization of at least 1,300 hours of solar energy in regions that are identified as the most network-congested regions, before buying power from other energy sources. The new policy is put in place to resolve curtailment issue in certain geographical regions.

Tier	Region	Minimum Guaranteed Solar Utilization Hours
Tier 1	Ningxia	1,500
	Qinghai: Haixi	1,500
	Gansu: Jiayuguan, Wuwei, Zhangye, Jiuquan, Dunhuang, Jinchang	1,500
	Xinjiang: Hami, Tacheng, Altay, Karamay	1,500
	Inner Mongolia (excluding Chifeng, Tongliao, Xinganmeng, Hulunbeier)	1,500
Tier 2	Qinghai (excluding cities classified as Tier I)	1,450
	Gansu (excluding cities classified as Tier I)	1,400
	Xinjiang (excluding cities classified as Tier I)	1,350
	Inner Mongolia: Chifeng, Tongliao, Xinganmeng, Hulunbeier	1,400
	Heilongjiang	1,300
	Jilin	1,300
	Liaoning	1,300
	Hebei: Chengde, Zhangjiakou, Tangshan, Qinhuangdao	1,400
	Shanxi: Datong, Shuozhou, Xinzhou	1,400
	Shaanxi: Yulin, Yanan	1,300

CORPORATE STRUCTURE

The following chart illustrates our simplified corporate structure as of the date of this offering memorandum:



Overview

We are the largest publicly listed pure play solar power plant owner and operator in the PRC in terms of aggregate installed capacity. We focus on and have an established track record in acquiring, developing and operating utility-scale solar power plants across the PRC. We, together with a number of associate companies, own and operate 31 utility-scale ground mounted solar power plants and distributed solar power plants, comprising standalone roof top solar power plants and those combined with agricultural machines used by captive agricultural industries, distributed across several provinces in the PRC, with an aggregate installed capacity of 1.29GW as of December 31, 2016. We currently operate one principal line of business, which is the generation and sale of electricity, and derive the bulk of our revenue by selling electricity to subsidiaries of the State Grid and the Inner Mongolia Grid Ltd, all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As the PRC government currently supports and encourages the generation and consumption of renewable energy, we also benefit from favorable price support regimes and receive FITs from the relevant PRC government authorities.

We strategically acquire and develop solar power plants that allow us to achieve our predetermined minimal rate of return and select our solar power projects based on a combination of considerations, including solar irradiation of the site, applicable FITs and government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity. Our 31 solar power plants included eight solar power plants in Inner Mongolia, six solar power plants in Xinjiang, four solar power plants in Qinghai, three solar power plants in Guangdong, two solar power plants in each of Yunnan and Jiangsu, and one solar power plant in each of Gansu, Hebei, Hubei, Ningxia, Shanxi and Shandong, see "– Our Business – Our solar power plants – Solar power plants in operation." Most of our power purchase agreements, or PPAs, fix the price of electricity sold by our solar power plants and the FITs for one to five years. In addition to our existing operational solar power plant portfolio, we have approximately 582MW of solar power projects in our acquisition pipeline, for which we have attained acquisition approvals from our mergers and acquisitions committee and have entered into memoranda of understanding or have signed letters of intent with the prospective sellers, and 100MW of solar power projects in our development pipeline, for which we have obtained site controls and relevant government permits.

In recent years, the PRC government has developed a number of initiatives, including its five-year plan to reach 110GW of installed solar power capacity by 2020, to reduce the country's dependence on fossil fuels and, in turn, environmental pollution resulting from the burning of fossil fuels. The PRC government introduced FITs in 2011, at both state and provincial levels, to fuel the growth of solar power plants. The PRC government generally provides 20 year subsidies of RMB0.42 per kWh of output from roof top solar power projects and, depending on irradiation levels at the location of the solar power plant, between RMB0.65 and RMB0.85 per kWh of FITs for electricity output from ground mounted solar power projects. Our solar power plants are exempt from PRC corporate income tax for three years starting from the time electricity sales revenue is generated from the solar power plant and are entitled to a 50% reduction in PRC corporate income tax for a subsequent three year period. Solar power companies in the PRC also benefit from the policy of "refund-after-collection" on VAT and we enjoy a 50% reduction in our VAT tax expenses relating to our electricity sales, this preferential tax treatment will be in place until December 31, 2018. Our business has benefited substantially in an environment of favorable government policy and we expect the PRC government to continue its support for increased substitution of clean renewable energy for more polluting fossil fuel based energy.

We focus on the downstream solar power market and have acquired solar power plants from other developers and developed our solar power plants by integrating and optimizing PV components and technology. By design, our focus on the downstream PV segment provides us and our engineering, procurement and construction ("**EPC**") contractors with the flexibility to procure the most suitable components and technology and customize our solar power plants based on the local environment in

which they are to be situated. Our ability to successfully integrate and optimize PV components and technology and develop successful solar power plants was recognized by the National Energy Administration of the PRC (the "**NEA**") in August 2015 when it awarded us the exclusive right to develop and operate a 100MW solar power plant in Datong, Shanxi province. This project was classified by the NEA as a "Top Runner" project for the PRC solar power industry due to its significance in marking the start of Datong's transformation – from a polluted industrial city that is highly reliant on fossil fuels to a industrial city with a low carbon footprint that relies on renewable energy sources. See "Competitive Strengths – Strong track record of acquisition and development of solar power projects."

We believe that our broad geographical reach and established presence across the PRC and our experience in acquiring and developing revenue producing solar power plants are significant differentiators that provide us with further opportunities for growth both within and outside of the PRC. We aim to expand our operations into other provinces and autonomous regions in the PRC as well as in other countries, such as the United States, France, Australia, New Zealand, Germany, Japan and the United Kingdom, with attractive solar irradiation, regulatory environments, electricity pricing, land availability, financial access and overall electricity market trends. We entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom, which is expected to be completed in January 2017, and we believe that such expansion into international markets will promote our reputation and our standing in the PV industry, allow us to acquire more know-how and technology, diversify our revenue base, and increase our growth potential.

For the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, revenues from sales of electricity were RMB124.8 million, RMB175.3 million and RMB120.0 million (US$18.1 million) and accounted for 32.9%, 27.8% and 26.5% of our total revenue, respectively. Over the same periods, revenues from tariff adjustments were RMB254.5 million, RMB455.4 million and RMB332.4 million (US$50.0 million) and accounted for 67.1%, 72.2% and 73.5% of our total revenue, respectively. As of December 31, 2014 and 2015 and June 30, 2016, the aggregate installed capacity of our solar power plants was approximately 467MW, 976MW and 996MW, respectively.

Competitive Strengths

We believe that our historical success and future prospects are directly related to a combination of strengths, including the following:

Operating in the fast growing PRC solar power market and benefiting from strong support and favorable policies from the PRC government

The PRC solar power industry has experienced significant growth in recent years to become the largest and fastest growing solar power market in the world. Our business has benefitted, and is expected to continue to benefit, from strong support from the PRC government and favorable PRC government policy. In September 2016, the PRC government formally ratified The Paris Agreement, an agreement within the United Nations Framework Convention on Climate Change, aiming to, among other things, curb the emission of greenhouse gases in response to global climate change. The PRC government also published its aim to increase the contribution of non-fossil fuels in the PRC energy consumption mix, from approximately 11% in 2015 to approximately 20% in 2030, and reduce carbon dioxide emissions, such that carbon dioxide emissions in 2020 would be approximately 45% lower than that in 2005. In tandem with the increasing awareness of the need for environmental protection and focus on sustainable economic development in the PRC by both the PRC government and the public, the PRC government has promulgated a variety of laws, regulations and policies aimed at optimizing the energy mix and promoting the use of renewable energy in China.

The PRC government has rolled out a number of measures to support the development of solar power, including:

- ***Mandatory electricity purchase and priority on grid connection and dispatch***. The Renewable Energy Law (中華人民共和國可再生能源法), which became effective in January 2006 and amended in December 2009, requires grid companies to purchase all the electricity generated from renewable energy projects that are within the coverage of their grids, and to provide grid-connection services and related technical support. The State Council approved the Provisional Measures on the Dispatch of Energy Saving Power Generation (節能發電調度辦法(試行)) in August 2007, which is aimed at promoting the efficient use of natural resources and encouraging energy conservation, pursuant to which renewable power companies such as us are able to enjoy the highest dispatch priority for dispatching electricity into the local grids at the localities in which we operate. In May 2016, the National Development and Reform Commission of the People's Republic of China (the "**NDRC**") established minimum renewable utilization hour targets for solar power in curtailed regions. See "Regulation – Regulatory Scheme on Renewable Energy – Mandatory Purchase and Dispatch Priority;"

- ***FITs from the PRC government.*** The PRC government offers FITs for both utility-scale power plants as well as distributed generation installations. The FITs for utility-scale ground mounted power plants stand at between RMB0.65 and RMB0.85 per kilowatt-hour ("**kWh**") of energy generated, based on the radiation levels at the location of the solar power plant. In recent years, the PRC government has also introduced FITs, at both state and provincial levels, to fuel the growth of distributed solar roof top installations. Despite a number of reductions in the amounts of the FITs in recent years, historically higher FIT amounts continue to apply to our solar power projects that achieved grid connections prior to such reductions, and our solar power projects have been able to maintain such higher FIT amounts with each renewal of the relevant PPA, allowing us to secure the rate of return on our investment for our solar power projects. See "Regulation – FITs;" and

- ***Preferential tax treatment and other incentives.*** To spur the growth of the PRC solar power industry, PRC government authorities in various provinces and cities across the PRC are also providing additional subsidies and incentives to complement those provided by the state. The Renewable Energy Law, the Guidance Catalogue on Renewable Energy Industrial Development (可再生能源產業發展指導目錄)(the "**Guidance Catalogue**") and other relevant laws and regulations, provides for financial incentives, such as additional government funding, preferential loans and preferential tax treatment for the development of solar power projects and authorizes relevant government authorities to set favorable prices for electricity generated from solar power plants. Our solar power plants are exempt from PRC corporate income tax for three years starting from the time electricity sales revenue is generated from the solar power plant and are entitled to a 50% reduction in PRC corporate income tax for a subsequent three year period. Solar power companies in the PRC also benefit from the policy of "refund-after-collection" for VAT and we enjoy a 50% reduction in our VAT expenses relating to our electricity sales, this preferential tax treatment will be in place until December 31, 2018. We also enjoy subsidies from the local governments in the provinces in which we operate, which is measured based on the amount of electricity generated by our solar power plants. See "Regulation – Tax Preference."

Largest publicly listed pure play solar power plant owner and operator in the PRC with high quality and well diversified solar projects portfolio

We are the largest publicly listed pure play solar power plant owner and operator in the PRC in terms of aggregate installed capacity and we principally derive our revenue from the sale of electricity generated by our solar power plants. As of December 31, 2016, we, together with a number of associate companies, owned and operated 31 utility-scale ground mounted solar power plants and distributed solar

power plants, comprising standalone roof top solar power plants and those combined with eco-agricultural infrastructure used by captive industries, distributed across the provinces of Qinghai, Shanxi, Hebei, Hubei, Gansu, Ningxia, Yunnan, Guangdong, Xinjiang, Jiangsu, Shandong and the Inner Mongolia Autonomous Region, with an aggregate installed capacity of 1.29GW.

All of our solar power plants are strategically located in regions in China that, based on our feasibility studies and analysis of factors such as solar irradiation of the site, applicable FITs and government subsidies, conditions for local grid connection, electricity transmission infrastructure and local demand for electricity, we believe will allow us to achieve or exceed our predetermined minimal rate of return on investment. The majority of our solar power projects operate in non-curtailed regions in the PRC, where we do not experience operational problems associated with shortages of transmission capacity or issues with grid connection, and, as a result, for the year ended December 31, 2015, the average utilization hours of our solar power projects was higher than the industry average. The State Grid and the Inner Mongolia Grid, both of which are PRC state-owned entities, account for over 99% of our revenues and approximately 78.0% of our solar power projects, in terms of aggregate installed capacity, are registered on the Guidance Catalogue and receive FITs. In addition to our existing operational solar power plant portfolio, we have approximately 582MW of solar power projects in our acquisition pipeline, for which we have attained acquisition approvals from our mergers and acquisitions committee and we have contractually acquired the rights to purchase the solar power plants from the prospective sellers, and 100MW of solar power projects in our development pipeline, for which we have obtained site controls and relevant government permits.

We believe that our significant scale and leading position in the PRC solar power industry provide us with economies of scale, a broad base of operational experience and resources, a large pool of experienced employees, bargaining power with EPC contractors and suppliers, and significant industry and regulatory relationships, which will continue to provide us with attractive solar power plant acquisition and development opportunities. We also believe that our leading market position and extensive experience in the PRC solar power industry give us the opportunity to participate in solar energy policy discussions and have significant influence in the development of industry related policies and standards. For example, in 2013, Mr. Alan Li, chief executive officer and chairman of our board of directors, collaborated with state-owned enterprises, such as the Forty-eighth Research Institute of China Electronics Technology Group Corporation and the State Grid Corporation of China, to establish the Photovoltaic Green Ecosystem Organization ("**PGO**"), which was the first organization in the PRC that sought to connect and encourage collaboration among the numerous PV companies distributed across the value chain of the PRC solar power industry, and is believed to have significantly expanded the development and construction of utility-scale solar power plants in China.

Strong track record of acquisition and development of solar power projects

We have an established track record in acquiring, developing and operating utility-scale solar power plants across the PRC. Over the last four years, we had successfully acquired 27 solar power plants, with an aggregate installed capacity of approximately 1.19GW, located in Yunnan, Hubei, Shandong Jiangsu, Hebei, Qinghai, Xinjiang, Gansu, Ningxia and Inner Mongolia, and developed four solar power plants, with an aggregate installed capacity of approximately 102.8MW, located in Guangdong and Shanxi. We grew our total grid-connected installed capacity from 467MW as of December 31, 2014 to 876MW as of December 31, 2015 and to 1.29GW as of December 31, 2016. For the years ended December 31, 2014, 2015 and 2016, our electricity generation volume grew from 485,046MWh to 859,730MWh to 1,341,993MWh, respectively. Our revenues (excluding revenue from associates) grew from RMB379.3 million for the year ended December 31, 2014 to RMB630.7 million for the year ended December 31, 2015. Our track record of strong growth in installed capacity, power output and revenue demonstrates our managerial strength and execution capability.

We employ a strict and systematic approach when evaluating solar power projects for acquisition or development and potential projects are first reviewed by our mergers and acquisitions committee, our risk control committee and then our board of directors. We also engage third-party consultants for legal, financial and technical due diligence. We believe that our methodical approach to potential acquisitions and development of solar power projects, together with our deep industry knowledge, strong and long-standing relationships with the various industry stakeholders, including various PRC government authorities, the State Grid and a number of its subsidiaries and the Inner Mongolia Grid, and other solar power plant developers and operators, and experienced management team and employees, provide us with an advantage over competitors when acquiring or developing solar power projects.

Our ability to develop successful solar power plants was recognized by the NEA in August 2015 when it awarded us the exclusive right to develop and operate a 100MW solar power plant in Datong, in the Shanxi province. This project was classified by the NEA as a "Top Runner" project for the PRC solar power industry due to its significance in marking the start of Datong's transformation – from a polluted industrial city that is highly reliant on fossil fuels to an industrial city with a low carbon footprint that relies on renewable energy sources. Due to the significance of the project, the NEA had stringent qualification criteria and it conducted a competitive selection process, where the prospective project company had to meet a host of technical standards and possess sufficient operational experience. We were selected as the winning bidder over many other solar power plant operators and developers in the PRC. Further, on September 22, 2016, we entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom. We believe that such expansion into international markets will promote our reputation and our standing in the PV industry, and expose us to a wider range of solar power plant acquisition and development opportunities.

Experienced management team and strong support from our shareholders

Our management team has a broad range of experience in and an in-depth understanding of the evolving global and PRC solar power industry. Our senior management has extensive experience in both upstream and downstream PV markets and has proven market insights and a track record of successfully developing, acquiring and operating solar power plants on a significant scale. Our chief executive officer and chairman of our board of directors, Mr. Alan Li, has over ten years of business experience in the PV industry and has significant experience in mergers and acquisitions and management of conglomerates in the PRC. In 2013, Mr. Li collaborated with state-owned enterprises, such as the Forty-eighth Research Institute of China Electronics Technology Group Corporation and the State Grid Corporation of China, to establish PGO, which was the first organization in the PRC that sought to connect and encourage collaboration among the numerous PV companies distributed across the value chain of the PRC solar power industry, and is believed to have significantly expanded the development and construction of utility-scale solar power plants in China. Mr. Lu Zhenwei, an executive director of our Company, has more than 11 years of experience in venture investment and business management with leading energy and technology companies in the PRC. He is also the chairman of the board of directors of China Merchants New Energy Group, our largest shareholder. Mr. Li Hong, an executive director of our Company, who was appointed as our chief financial officer in 2014, has over 15 years of managerial experience at large state-owned enterprises. Prior to joining our company, he worked in the finance department of the Overseas Chinese Affairs Office.

We also benefit from strong support from our largest shareholder, CMNEG, the sole renewable energy business platform of CMG. CMG is wholly-owned by the Central State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and is one of the PRC's largest state-owned enterprises. We believe that being in CMG's group of companies allows us to benefit from close collaboration with other CMG group companies which operate across a variety of industries, such as transportation and related infrastructure, through companies such as China Merchants Port Holdings Company Limited and China Merchants Logistics, finance, through companies such as China Merchants Bank and China Merchants Securities, and real estate, through companies such as China Merchants Land and Zhangzhou China Merchants Economic and Technological Development Zone.

Examples of our collaboration with CMG's group of companies and support we receive from them include the following:

- In December 2011, China Merchants Logistics granted us the exclusive right to develop all of its roof top solar power projects, which exceeds 1.2 million square meters in combined area, for a period of period of 25 years.

- In December 2013, we and Huabei Expressway Co., Ltd. jointly acquired the Fengxian Huize PV Ecological Projects, which had an aggregate capacity of 23.8MW and built a roof top project in the Langfang toll road station of Huabei Expressway Co., Ltd.

- In February 2014, we and China Merchants Port Holdings Company Limited jointly developed a 2.4MW roof top solar power project in the Qianhai Tax Protected Zone.

- In early 2015, we and China Merchants Yinke Investment Management Ltd. ("**China Merchants Yinke**") jointly acquired a 80MW solar power project. At that time, China Merchants Fund Management Limited ("**China Merchants Fund**") subscribed for our convertible bonds, the proceeds of which we used to fund our share of the acquisition price. We were also able to subsequently purchase China merchants Yinke's share in the solar power project at no premium on the original acquisition price.

- In 2015, China Merchants Fund, China Merchants Bank and China Merchants Securities also provided us with support by subscribing for our convertible bonds on what we believe were favorable terms, the proceeds of which we used to acquire solar power projects. China Merchants New Energy Group also provided a keepwell deed for our medium term notes program, which we established in 2015.

- In June 2015, we established a joint venture, China Merchants Silk Road New Energy Limited, with China Merchants Zhangzhou Development Zone, to engage in supply chain finance and provision of solar power plants construction and monitoring services.

- In April 2016, we and China Merchant Port Holdings Company Limited jointly developed a 1.4MW roof top solar power project in the Qianhai Tax Protected Zone. China Merchants Charitable Foundation also donated funds and participated in the construction of this solar power project.

- In June 2016, we and China Merchants Land jointly developed a 0.5MW roof top solar power project and a solar power demonstration center.

Access to a variety of domestic and overseas financing channels to optimize capital structure and manage funding cost, which is underpinned by prudent financial management

Our leading position in the PRC solar power industry, support from our shareholders and strong relationships with our lending banks provide us with access to a variety of onshore and offshore financing solutions. We have significant experience in financing utility-scale solar power plants, minimizing investment risks and financing costs, optimizing capital structure and maximizing returns for each solar power plant. Our treasury management team has worked with a variety of lenders and investors, including banks, insurance companies, private equity funds, utility companies and conglomerates.

We utilize a broad range of financing solutions tailored to optimize our capital structure, including onshore solutions, such as finance lease and project finance, and offshore solutions, such as equity finance, through new share placements and issuances of warrants, and debt financing, through issuances of medium term notes, convertible bonds and the contemplated offering of the Notes. In 2015, CMNEG issued a letter to us and agreed to provide us with financial support for a period up to December 31,

2017 to enable us to meet our liabilities and obligations as and when they fell due and to carry on our business with any significant curtailment of operations. We entered into loan facility agreements with a number of banks of which RMB1.4 billion remains undrawn as of September 30, 2016.

Strategy

Our core strategy is to position ourselves as a leading solar power producer within the PRC and internationally. We are seeking to execute this strategy by increasing our portfolio of solar power plants in the PRC by capitalizing on the PRC government's support for clean and renewable energy and country's significant and growing energy needs, and strengthening our relationships and exploring new partnership opportunities with providers of PV components and technology.

Continue to build our portfolio of solar power projects through acquisition and self-development

We intend to focus on acquiring solar power plants that are subject to PPAs with creditworthy counterparties that utilize high quality PV components, have low operating costs and deliver stable cash flows, similar to our existing solar power project portfolio. We also aim to develop solar power projects that satisfy our criteria of benefitting from strong solar irradiation, favorable FITs and government subsidies, local grid connections, developed electricity transmission infrastructure and local demand for electricity.

We also plan to pursue opportunities of acquiring and developing solar power plants in international markets, such as the United States, France, Australia, New Zealand, Germany and the United Kingdom, with attractive solar irradiation, regulatory environments, electricity pricing, land availability, financial access and overall electricity market trends. We believe that expansion into international markets will promote our reputation and our standing in the PV industry, allow us to acquire more know-how and technology, diversify our revenue base and increase our growth potential. For example, we entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom, which is expected to be completed in January 2017. Although we intend to maintain our focus on utility scale solar power projects, we also intend to opportunistically invest in distributed solar power projects, where we are able to broaden our geographical and customer reach and serve and develop relationships with captive industrial customers.

Maintain and develop strong relationships with our suppliers and EPC contractors

We believe that strong long-term relationships with our suppliers and EPC contractors are critical to our continued success in developing, operating and maintaining high quality solar power plants and we expect to continue to rely on them to develop our pipeline solar power projects. We seek to maintain and further develop our long-standing relationships with our PV component suppliers and EPC contractors, so as to ensure that they continue to provide high quality supplies and construction services to our solar power plants at competitive prices and terms. We also plan to continue our development of the PGO and leverage its network of PV companies to build relationships and collaborate with other PV component suppliers and EPC contractors, so as to broaden our supplier and EPC contractor base.

Improve the performance and reliability of our solar power projects, and enhance the cost efficiency of operations and maintenance of our solar plants ("O&M")

We plan to improve the performance and reliability of our solar power projects and enhance the cost efficiency of our O&M through implementing the following measures:

- ***Use of smart technologies and project level monitoring.*** We plan to increase our use of smart technologies and project level monitoring to improve the performance and reliability of our solar power projects. We intend to increase our use of aerial drones, which would allow more extensive, remote and real-time monitoring of our solar power projects, and equip our field employees with smart management phone terminals so as to allow them to feedback data into our maintenance and analysis systems.

- ***Digitize data gathering from operations and power generation.*** We also plan to continuously digitize the information gathering process for all of our power generation equipment to allow efficient big data analysis and for us to indentify and remedy the main causes of any issues relating to our power generation processes in as timely a manner as possible. We believe that such efforts would enhance the cost efficiency of our O&M.

- ***Centralized management system.*** We also plan to enhance the cost efficiency of our O&M by strengthening our labor cost control and spare parts management by implementing and optimizing our smart cloud management system, which is a computerized centralized management system. We intend to manage the operations and maintenance of all our solar power projects in a region within a certain distance, including replacement of any defective PV components, through one dedicated team in that region, so that our workforce can be more efficiently utilized and our labor cost per MW can be reduced. We also aim to centralize and streamline ordering and management of spare parts required for maintenance, so as to reduce costs and lead time for spare parts delivery.

Reduce financing costs and diversify financing channels

We plan to actively reduce our financing costs and diversify our channels of financing. We believe our stable cash flow profile, the long-term nature of our operating solar power plants and our ability to raise equity and debt capital to finance growth, provide us with flexibility to optimize our capital structure. To that end, we plan to actively explore both onshore and offshore financing options, with a variety of lenders and investors, including banks, insurance companies, private equity funds, utility companies and conglomerates. We aim to maintain a commitment to disciplined financial analysis and a balanced capital structure while evaluating opportunities to finance current assets in our solar power plant portfolio and future solar power plant acquisitions and development, with the goal of reducing our financing costs, optimizing our capital structure and maximizing the returns on our solar power projects.

Continue to expand business cooperation opportunities by leveraging the support and resources of China Merchants group and other strategic shareholders

We plan to further develop and leverage our strategic relationships with CMG and other strategic shareholders to, among other things, benefit from the financial support and other resources they are able to provide us. We believe that being in CMG's group of companies allows us to benefit from close collaboration with other CMG group companies. In addition to developing roof top solar power projects with China Merchants Logistics, we aim to explore other solar power project development opportunities with other CMG group companies. At the same time, in addition to issuing convertible bonds to China Merchants Bank and China Merchants Securities, we also intend to explore other means in which CMG group companies can extend us financing for our acquisition and development of solar power projects.

We also intend to expand our business by cooperating with other strategic shareholders. We entered into a subscription agreement with ORIX, a leading international investment institution with over 7GW of renewable energy assets globally, and a number of our existing shareholders in September 2016, whereby ORIX will invest approximately US$105.5 million, in our Company in exchange for approximately 19.9% of the shares in our Company, upon the completion of the transaction that is subject to satisfaction of certain conditions, and warrants to subscribe for additional shares in our Company. ORIX has agreed to be a long-term strategic partner and, through its global subsidiaries, assist us with acquisitions of overseas solar power projects and share technical and operational experience with us. CMNEG has undertaken to us that it, together with its parties acting in concert, will remain our largest shareholder. We aim to continue to leverage the strengths and resources of such strategic shareholders to improve our know-how, technology and efficiency and secure high quality solar power project opportunities.

Recent Developments

We entered into a subscription agreement with ORIX, a leading international investment institution with over 7GW of renewable energy assets globally, and a number of our existing shareholders in September 2016, whereby ORIX will invest approximately US$105.5 million in our Company in exchange for approximately 19.9% of the shares in our Company, upon the completion of the transaction, and warrants to subscribe for additional shares in our Company. Closing of the transaction is subject to certain conditions, including but not limited to the successful issuance of corporate bonds and/or obtaining a syndicate loan of not less than HK$2 billion, the proceeds of which must be used to redeem certain of our outstanding convertible bonds. We intend to use the proceeds of this offering to redeem certain of our convertible bonds. ORIX has agreed to be a long-term strategic partner and, through its global subsidiaries, assist us with acquisitions of overseas solar power projects and share technical and operational experience with us.

In December 2016, we issued 50,000,000 of our shares to each of Power Revenue Limited, an indirect non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd., and CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd., at a subscription price of HK$0.6 per share, the net proceeds of which, after deduction of expenses related to the issuance, was approximately HK$59.8 million. We intend to use the net proceeds from this share issuance for general working capital purposes, including funding of our business development activities and refinancing of existing indebtedness.

In addition to the investment by ORIX in our Company, as part of our plans to expand our business operations, we entered into a sale and purchase agreement on September 22, 2016 to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom, which is expected to complete in January 2017. We also completed the acquisition of a 20MW solar power project in Hebei and a 35MW solar power project in Yunnan in the third quarter of 2016, and a 40MW solar power project in Shandong in October 2016. In November 2016, we (i) completed the development of a 0.4MW roof top solar power plant in Guangdong, (ii) entered into a joint venture and acquired a 50% equity interest in a PRC joint venture company that owned and operated a 200MW solar power plant in Ningxia, and (iii) completed the acquisition of the remaining 49.0% equity interest in Changzhou Guangyu New Energy Company Limited, which owns and operates Xinjiang Hami 1, Xinjiang Hami 2, Xinjiang Turpan 1 and Xinjiang Turpan 2, with an aggregate installed capacity of approximately 80MW, for a consideration of RMB20.9 million. See "Business – Our Solar Power Plants."

We issued US$50 million of 6.50% convertible bonds to Power Revenue Limited in August 2016, see "Description of Other Material Indebtedness – Convertible Notes" and an aggregate of HK$98.0 million of 6.75% medium term notes due 2019 under our MTN Program to Ayers Alliance Securities (HK) Limited after June 30, 2016, see "Description of Other Material Indebtedness – Medium Term Notes." In October 2016, we redeemed US$120 million of our 5.0% convertible bonds that matured in October 2016.

History and Corporate Structure

We are a Bermuda incorporated exempted company listed on the Main Board of the Stock Exchange of Hong Kong Limited, under the stock code 00686HK. We entered the solar power industry in 2010, through the acquisition of a number of companies that were engaged in the manufacture of PV modules. Subsequently, we entered the solar power generation business through our acquisition of China Solar Power Group Limited, formerly known as China Merchants New Energy Holdings Limited, which owned two solar power projects in Gansu and Qinghai in 2013. Following our acquisition of these solar power plants, we proceeded to acquire and develop other solar power plants in other regions of the PRC and have since grown to become a solar power company with 31 solar power plants with an aggregate installed capacity of 1.29GW as of December 31, 2016.

The following table sets forth a number of key milestones in our history.

Year	Event/s
2013	• We entered the solar power generation business with an aggregate installed capacity of 156.7MW at the end of 2013. We established the Photovoltaic Green-Ecosystem Organization, a platform aimed at promoting the sustainable development of the solar power industry in the PRC.
2014	• We completed a series of significant solar power plant acquisitions, including solar power plants with 180MW of aggregate installed capacity in Qinghai Gonghe and solar power plants with 130MW of aggregate installed capacity in Inner Mongolia. • We entered into an agreement with Jiangsu Yongneng New Energy Investment Limited to acquire solar power plants with an aggregate installed capacity of 40MW.
2015	• We were awarded the exclusive right to develop and operate a 100MW solar power plant in Datong, in the Shanxi province, a project that was classified by the NEA as a "Top Runner" project for the PRC solar power industry due to its significance in the region. We also jointly acquired solar power plants with an aggregate installed capacity of 80MW with China Merchants Yinke. • We acquired a solar power plant with an aggregate installed capacity of 100MW in Hubei, the largest solar project in central China. • We completed acquisitions of other solar power plants with an aggregate installed capacity of 240MW in Inner Mongolia and Xinjiang. • Our company was selected as a constituent of (i) the Global Small Cap China Index by Morgan Stanley Capital International, (ii) the Hang Seng Global Composite Index and (iii) the Hang Seng Composite Index.
2016	• We entered into a memorandum of understanding with the United Nations Development Program to develop Panda-shaped solar power plants, using black monocrystalline silicon solar cells and grey thin film solar cells, in the G20 countries to promote the development and use of clean and renewable energy. • Our 100MW solar power plant in Datong, in the Shanxi province, which was classified by the NEA as a "Top Runner" project, achieved grid connection. • We entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom. • We completed various acquisitions of solar power plants with an aggregate installed capacity of 414.8MW in the PRC.

Our Business

Our principal line of business is the generation and sale of electricity from our solar power plants. We derive the bulk of our revenue by selling electricity to subsidiaries of the State Grid and the Inner Mongolia Grid, and we also benefit from favorable FIT price support regimes and receive FITs from the relevant PRC government authorities. In the past and in the year ended December 31, 2014, we generated additional revenue by selling PV cells and modules that we manufactured on a relatively small scale. We have strategically ceased the sale of such PV cells and modules, through the sale of our equity interest in our subsidiary that manufactures PV cells and modules in October 2014, to focus on solar power plants that provide more attractive long-term recurring revenue from electricity sales. The following table sets forth our revenue breakdown over sales of electricity for the periods indicated and as a percentage of total revenue for our business.

	Year ended December 31,				Six months ended June 30,		
	2014		2015		2016		
		(Restated[1])					(Unaudited)
	(RMB in millions)	(% Total)	(RMB in millions)	(% Total)	(RMB in millions)	(US$ in millions)	(% Total)
Sales of electricity	124.8	32.9	175.3	27.8	120.0	18.1	26.5
Tariff adjustment	254.5	67.1	455.4	72.2	332.4	50.0	73.5
Total revenue	379.3	100.0	630.7	100.0	452.4	68.1	100.0

Note:

(1) There was a change of presentation currency from HK$ to RMB for the year ended December 31, 2015 and comparative figures for the year ended December 31, 2014 were restated. See Note 2.1.2 of audited consolidated financial statements for the year ended December 31, 2015.

For the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, revenues from sales of electricity were RMB124.8 million, RMB175.3 million and RMB120.0 million (US$18.1 million) and accounted for 32.9%, 27.8% and 26.5% of our total revenue, respectively. Over the same periods, revenues from tariff adjustments were RMB254.5 million, RMB455.4 million and RMB332.4 million (US$50.0 million) and accounted for 67.1%, 72.2% and 73.5% of our total revenue, respectively.

Our Solar Power Plants

Our solar power plants in the PRC sell electricity under PPAs to subsidiaries of the State Grid and the Inner Mongolia all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. On September 22, 2016, we entered into a sale and purchase agreement to acquire six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom. Between our current operational solar power plants and solar power projects in development, our solar power plant portfolio spans eight provinces and an autonomous region in the PRC and the United Kingdom.

The process for developing a solar power plant varies according to local regulations in each province or region, although there are certain common key milestones. Generally, a solar power plant developer first secures site control, typically by acquisition of the land or a long-term lease arrangement, obtains key energy permits, such as operational licenses, and enters into key agreements, such as grid connection agreements, PPAs and other off-take agreements. Prior to construction, the developer secures the appropriate zoning and environmental permissions, applicable construction permits, and project funding. When construction is complete, the solar power plant may be connected and begin selling electricity to the transmission grid. We classify our solar power plants based on the following key milestones.

Solar power plants in operation. Solar power plants in operation comprise solar power plants for which we have completed construction or have been acquired by us and are generating and selling electricity. See "– Solar power plants in operation."

Solar power plants under construction. Solar power plants under construction are solar power plants for which we have secured site control, energy permits, all key agreements, zoning and environmental permissions and construction permits, but are in the process of being completed. See "– Solar power plants under construction."

Solar power plants in our pipeline. Solar power plants in our acquisition pipeline are those for which we have attained acquisition approvals from our mergers and acquisitions committee and have entered into memoranda of understanding or have signed letters of intent with the prospective sellers. Solar power plants in our development pipeline are those for which we have obtained site controls and relevant government permits but are not yet ready for construction. See "– Solar power plants in our pipeline."

Solar power plants in operation

The following diagram sets forth the location of our solar power plants in operation with the aggregate installed capacity at each location.

The following table sets forth certain operating information on our solar power plants in operation.

No.	Project name	Location	Installed capacity (MW)	Self-developed/ Acquired	Ownership by us	Operational date from development/ acquisition	Electricity price/FIT with local subsidy (RMB/kWh)
1.	Shenzhen Qianhai 1	Guangdong province	2.1	Developed	100.0%	October 2012	0.7579
2.	Shenzhen Qianhai 2	Guangdong province	0.3	Developed	100.0%	April 2014	0.715
3.	Shenzhen Qianhai 3	Guangdong province	0.4	Developed	100.0%	November 2016	0.6478
4.	Shanxi Top Runner	Shanxi province	100.0	Developed	100.0%	June 2016	0.95
5.	Jiangsu Eco-agriculture 1	Jiangsu province	3.8	Acquired	50.0%	December 2013	2.41
6.	Jiangsu Eco-agriculture 2	Jiangsu province	20.0	Acquired	50.0%	December 2013	2.41
7.	Gansu Jiayuguan	Gansu province	100.0	Acquired	100.0%	June 2013	1.00
8.	Qinghai Gonghe 1	Qinghai province	20.0	Acquired	100.0%	June 2013	1.00
9.	Qinghai Hainanzhou	Qinghai province	30.0	Acquired	100.0%	January 2014	1.00
10.	Qinghai Gonghe 2	Qinghai province	50.0	Acquired	100.0%	January 2014	1.00
11.	Qinghai Gonghe 3	Qinghai province	100.0	Acquired	100.0%	January 2014	1.00
12.	Xinjiang Hami 1	Xinjiang	20.0	Acquired	100.0%	April 2015	1.00
13.	Xinjiang Hami 2	Xinjiang	20.0	Acquired	100.0%	April 2015	1.00
14.	Xinjiang Turpan 1	Xinjiang	20.0	Acquired	100.0%	April 2015	1.00
15.	Xinjiang Turpan 2	Xinjiang	20.0	Acquired	100.0%	April 2015	0.95
16.	Xinjiang Minfeng	Xinjiang	20.0	Acquired	90.9%	May 2015	0.95
17.	Xinjiang Wujiaqu	Xinjiang	20.0	Acquired	100.0%	April 2016	0.95
18.	Inner Mongolia Chahar 1	Inner Mongolia	50.0	Acquired	90.07%	March 2014	1.00
19.	Inner Mongolia Tuoketuo	Inner Mongolia	40.0	Acquired	92.70%	April 2014	1.00
20.	Inner Mongolia Wulate	Inner Mongolia	40.0	Acquired	94.0%	March 2014	1.00
21.	Inner Mongolia Kezuozhongqi	Inner Mongolia	60.0	Acquired	99.40%	September 2015	0.95
22.	Inner Mongolia Shandu	Inner Mongolia	50.0	Acquired	99.31%	September 2015	0.90
23.	Inner Mongolia Chahar 2	Inner Mongolia	30.0	Acquired	99.0%	September 2015	0.90
24.	Inner Mongolia Kezuohouqi 1	Inner Mongolia	40.0	Acquired	1.98%	January 2015	1.00
25.	Inner Mongolia Kezuohouqi 2	Inner Mongolia	20.0	Acquired	1.98%	January 2015	0.95
26.	Hubei Suizhou	Hubei province	100.0	Acquired	100.0%	October 2015	1.10
27.	Yunnan Yongsheng	Yunnan province	19.8	Acquired	55.64%	December 2015	0.95
28.	Yunnan Yongren	Yunnan province	35.0	Acquired	100.0%	July 2016	0.95
29.	Hebei Yangyuan	Hebei province	20.0	Acquired	100.0%	August 2016	1.15
30.	Shandong Haiyang-Xin	Shandong province	40.0	Acquired	100.0%	October 2016	1.20
31.	Ningxia	Ningxia	200.0	Acquired	50.0%	November 2016	0.90

Solar power plants under construction

We are currently developing a 100MW ground mounted solar power project in each of Anhui and Inner Mongolia, which are both scheduled to obtain grid connection in the first half of 2017.

Solar power plants in our pipeline

We have approximately 582MW of solar power projects in our acquisition pipeline, for which we have attained acquisition approvals from our mergers and acquisitions committee and we have entered into memoranda of understanding or have signed letters of intent with the prospective sellers, and 100MW of solar power projects in our development pipeline, for which we have obtained site controls and relevant government permits.

Customers and Marketing

Historically, we have primarily sold electricity to the State Grid and the Inner Mongolia Power Grid, into the transmission grid of the localities in which our solar power plants are situated. We sell a small amount of electricity to commercial and industrial companies, and other solar energy system owners. As we grow our solar power business, we expect to continue to derive most of our revenue from the State Grid and the Inner Mongolia Grid. See "Risk Factors – Risks relating to our business – We depend on a number of subsidiaries of the State Grid Corporation of China and the Inner Mongolia Power (Group) Co., Ltd for a significant portion of our revenues and any decrease in purchases of electricity from any one or all of them or FITs received from the relevant Government authorities could adversely affect our business and results of operations."

Members of our senior and local management team routinely meet with industry players and interested investors. Our business development teams have significant experience building business in local branches of the State Grid Corporation of China and actively pursue growth opportunities in new and viable markets. We promote our industry reputation by participating in trade conferences and other industry events and forums, which provide access to key local industry players and government authorities that can help us identify leads and other growth opportunities.

Power Purchase Agreements with Our Customers

We have entered into a series of PPAs with the various customers, including certain subsidiaries of the State Grid and the Inner Mongolia Grid, who purchase electricity from us. Each PPA provides a framework for our ongoing electricity sales and governs our rights and obligations in respect of our customer. We have historically enjoyed a positive and successful partnership with our customers who have historically renewed our agreements with them upon the expiry in the ordinary course of business.

Under the PPAs, we and our customers agree on the annual sale and purchase amount of the electricity generated by our solar power plants and the FIT to be received by us. The FIT is a fixed price decided by the government and comprises two components: (i) a benchmark electricity price borne by the customer, which is decided by the benchmark market price of electricity generated by the local coal-fired power plants using the desulfurization method, and (ii) a government on-grid subsidy. The benchmark electricity price is subject to negotiation between us and our customer, and any increase in the benchmark electricity price will be offset by a deduction in the government on-grid subsidy, so that the FIT to be received by us will hold constant. Government subsidies are granted to solar power projects listed on the Renewable Energy Subsidy Catalogue and are paid to customers for forwarding to us. Our customers typically pay us the FIT on a monthly basis. After the signing of a PPA, but before our solar power project is listed on the Renewable Energy Subsidy Catalogue and eligible to receive the government on-grid subsidy, we receive the benchmark electricity price from the customer only. After the solar power project is listed on the Renewable Energy Subsidy Catalogue, government on-grid subsidies for electricity generated between the period of signing the PPA and the listing of the project on the Renewable Energy Subsidy Catalogue will be paid by the government to our customer who will then forward such payment to us. Although the PPAs provide for an annual sale and purchase amount of electricity, our customers have historically purchased all the electricity generated by our solar power plants.

The PPAs are typically valid for a term of one to five years. We negotiate with our customers for renewal of a PPA one to three months prior to the PPA's expiry. The PPAs may be terminated upon occurrence of certain events such as a force majeure event, bankruptcy of either party, cancellation of the operating permit of either party or termination of the relevant grid connection agreement.

Solar Power Project Acquisition and Development

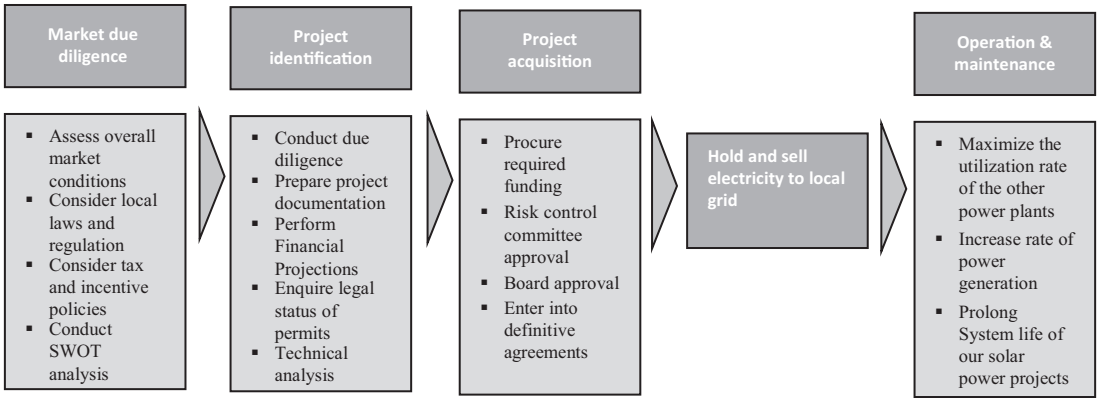
We grow our solar power plant portfolio by either acquiring or developing solar power plants, and, with respect to both acquiring and developing a solar power project, before we enter into a new market or make any major investments, our regional development teams prepare market analysis reports and financial models, including key financial assumptions, to guide us in sourcing, evaluating and developing solar power plants. Where applicable, we also generally engage reputable law firms and consulting firms, such as TÜV SÜD and TÜV Nord, to investigate the validity of regulatory permits, property laws, solar regulations, environmental laws, and tax and incentive policies, with particular focus on any PV or other renewable energy regulatory environment and policies.

Solar Power Project Acquisition

When we identify a suitable solar power plant for acquisition, we perform thorough due diligence based on documentation, financial projections and the legal status of each permit. We typically retain external technical consultants to analyze engineering, design and technical risks relating to target solar power plants as needed. Prior to signing a definitive acquisition agreement, an application is presented

to our risk control committee, which includes the major terms of the solar power plant acquisition agreements, an economic analysis, an internal technical due diligence report and other project materials, for its approval.

The following diagram sets forth the steps taken when we acquire solar power projects.



A majority of our solar power plants were acquired from third parties ("**Sellers**"). We entered into equity transfer agreements ("**ETAs**") with the Sellers to acquire the equity interests held by them in the project companies that own and operate the solar power plants.

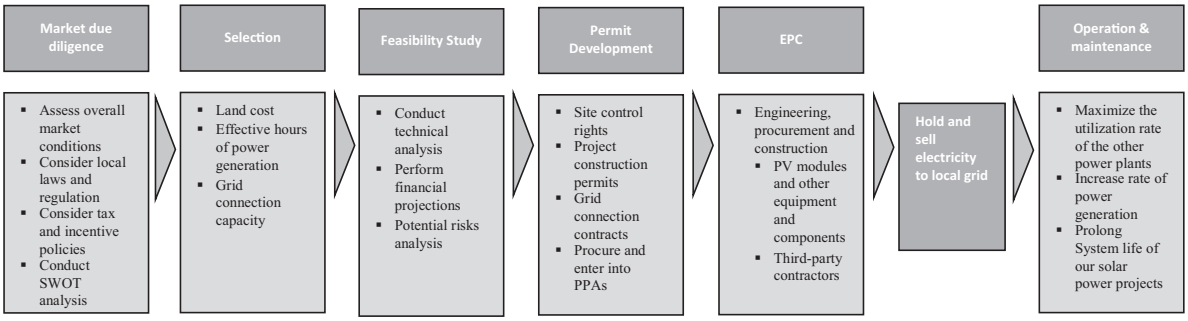
Generally, for a particular solar power plant acquisition, the consideration payable by us under the ETA is determined with reference to the total aggregate investment that had been made by the Seller in the project company. The consideration is typically paid in two or more installments, with each installment payable upon achievement of a particular acquisition milestone, such as the satisfaction of certain conditions precedent for the completion of the acquisition. The conditions precedent for completion of such a acquisition would typically include, among others, the completion by us of satisfactory due diligence on the project company, obtaining relevant government approvals, licenses and permits necessary for the operation of the relevant solar power plant, us obtaining internal approvals for the acquisition, as well as obtaining financing for the purchase and/or development of the solar power plant or satisfaction of the conditions for obtaining financing. A Seller would typically undertake to us that during the transition period between the signing of the ETA and completion of the acquisition, it would procure the project company to seek our written consent for entry into transactions exceeding RMB1 million in value and transactions not in the ordinary course of its business, as well as investments and disposals of core assets.

From time to time, a Seller may provide us with a minimum annual electricity output guarantee for a five to 20 year period for the solar power plant and agree to compensate us for any loss suffered by us as a result of any shortfall of electricity output. Often, the project companies would have had entered into grid connection agreements and PPAs with offtakers but have not obtained required government approvals for subsidies for the electricity generated prior to the Seller selling its shares in the project company to us. In such instances, the ETAs would typically provide for a downward adjustment in consideration payable by us if the government approvals for such subsidies are not obtained.

Solar Power Project Development

When developing our own solar power projects, we generally act as a primary developer and obtain the site control rights for a solar power plant and permits required for construction and negotiate grid connection agreements and PPAs.

The following diagram sets forth the steps taken when we develop our own solar power projects.



Engineering, Procurement and Construction

We engage third-party contractors under EPC agreements for services, which include engineering design, construction contracting and management, procurement of PV modules, balance of system components and other components. We employ a number of measures to manage and monitor the performance of such contractors in terms of both quality and delivery time and to ensure compliance with the applicable safety and other requirements. For example, we generally have onsite supervisors and hold regular onsite meetings with the third-party contractors to monitor their work to ensure that projects progress according to schedule and adhere to quality standards. We also conduct periodic inspections to examine project implementation and quality standards compared to our project planning and prepare periodic reports for review and approval by the relevant departments in our corporate headquarters. If we identify any quality or progress issues which are attributable to the work of such contractors, we will have further follow-up discussions with them and monitor their rectification work.

We also require our third-party contractors for construction and installation to comply with applicable laws and regulations regarding work safety as well as our own production safety rules and policies. We examine and keep records of the production related safety documentation and insurance policies of our third-party contractors. All production related tools and equipment used by our third party contractors must be compliant with and certified by applicable regulatory standards. Our third-party contractors should also regularly provide their internal records relating to production safety (for example safety production training and safety inspections) to us, and we also conduct regular safety supervision and inspection on the third-party contractors.

The following are key terms of our EPC agreements:

- *Construction, completion and acceptance of solar power project.* Under our EPC agreements, the contractors undertake to complete the solar power projects according to the milestone dates set forth in the agreements. In general, there are five milestone dates namely, (i) commencement of work, (ii) placement of orders for all necessary equipment and PV components, (iii) completion of construction design, (iv) installation of PV panels, and (v) completion of the whole grid-connected PV power system. After completion, we conduct testing on the solar power plants and other equipment and issue them with a preliminary acceptance certificate if we are satisfied with their work quality (the "**Preliminary Acceptance**"). Within six months from such Preliminary Acceptance, the relevant government authorities will inspect the solar power plant as a whole to determine whether the project complies with the prevailing regulatory requirements and standards. If the PV power system of the solar power plant maintains a power output of at least 81% a year after, we will issue a final acceptance certificate to the contractors.

- *Consideration.* Our EPC agreements generally sets out a fixed amount of total consideration payable to the contractor. We are not required to pay any additional amounts for any additional expenses unless we have given the contractors prior written approval.

- *Third-party contractor warranties.* Our contractors provide us with a guaranteed project completion date. If they fail to complete the solar power project on or before such date, they will be liable for liquidated damages, which amount to 0.05% of the total consideration payable to the contractor for each day of delay. Our EPC agreements also contain performance warranties where the contractors warrant to us that their design and construction are in compliance with all relevant regulatory requirements and that the quality of the PV components and equipment used meet the standards required by applicable PRC laws and regulations. If the contractors fail to meet the performance warranties, they will pay us certain performance liquidated damages.

- *Defects liabilities.* The contractors also warrant to us that their construction work, PV components and equipment used are free from design, manufacture, construction, handling and assembly defects. The contractors are responsible for any required repair and maintenance work for a period of two years from the date of Preliminary Acceptance.

- *Termination.* Our EPC agreements typically provide us with more extensive termination rights, which include the right to immediately terminate the agreement for certain major breaches and after a cure period for other breaches and termination if the contractor becomes insolvent. The contractors usually have relatively restrictive termination rights, which include the right to terminate for non-payment or prolonged force majeure.

We maintain an updated list of qualified and reliable suppliers and third-party contractors with a proven track record with whom we have established relationships. We choose our suppliers and third-party contractors through a bidding process or through our affiliates or other cooperative arrangements with various manufacturers and contractors. Our procurement and construction department organizes and collect bids, communicate with bidders and coordinate with our development teams to meet local technical and legal requirements.

Solar Power Plant Operations and Maintenance

We utilize customized software, such as "Global Smart PV Cloud Management" from Huawei, to allow for remote and centralized management of all our solar power plants, and mobile applications and drones to monitor and manage the performance and security of our solar power plants on a real-time basis. As such, we are able to constantly and closely monitor the entire power production and delivery process and ascertain the cause of any operational problems very shortly after it arises. At the same time, we regularly maintain our solar power plants with an intention to maximize the utilization rate, rate of power generation and system life of our solar power plants. We engage on the ground contractors who are on call to promptly remedy any issues that may arise.

Solar power plants have no moving parts and consequently low operations and maintenance costs. The warranty period of inverters and transformers is one to eight years, while the warranty period for PV modules is 25 years.

Competition

We face competition from local and international developers of solar power plants, many of whom are integrated with upstream manufacturers, and other renewable power producers, such as wind and hydro power producers. We believe our main competitors in the solar power space are solar power producers such as GCL New Energy Holdings Limited, CECEP Solar Energy Co Ltd, and Shunfeng International Clean Energy Limited, the larger publicly listed solar power producers. We also face competition in circumstances where large local and multinational corporations operating in the PRC establish their own distributed solar power projects. For instance, companies such as Haier, Volkswagen and Coca-Cola have established solar power plants of under 20MW for use in their own operations in the PRC.

Due to differing geographic suitability for different types of renewable power generation in different localities in the PRC, we compete with diversified but wind focused power producers, such as Huadian Fuxin Energy Corporation Limited, Huaneng Renewables Corporation Limited and Beijing Jingneng Clean Energy Co Ltd, the larger publicly listed diversified wind focused power producers with installed solar power capacities of over 450MW, on a more limited extent. See "Risk Factors – Risks Relating to Our Business and Industry – We face significant competition in the markets in which we operate."

Properties

We hold land use rights to the land on which our solar power plants, electric power generation, storage facilities and administrative offices are located.

No.	Location	Type of Facility	Land Area (square meters)	Type of Land Rights	Expiry of Land Rights
1	Jiangsu	Solar power plant	71,928	Lease	November 2061
2	Jiangsu	Solar power plant	516,150	Lease	May 2061
3	Inner Mongolia	Solar power plant	18,686	Land use right (Assignment)	October 2065
4	Inner Mongolia	Solar power plant	32,371	Land use right (Assignment)	September 2065
5	Inner Mongolia	Solar power plant	13,477	Land use right (Assignment)	August 2065
6	Inner Mongolia	Solar power plant	3,330,000	Lease	August 2063
7	Inner Mongolia	Solar power plant	10,552	Land use right (Assignment)	May 2065
8	Inner Mongolia	Solar power plant	13,097	Land use right (Assignment)	June 2065
9	Hubei	Solar power plant	1,139,272	Lease	May 2044
10	Hubei	Solar power plant	1,212,672	Lease	May 2044
11	Hubei	Solar power plant	10,2667	Lease	May 2044
12	Xinjiang	Solar power plant	476,100	Land use right (Allocation)	Long term
13	Xinjiang	Solar power plant	699,700	Land use right (Allocation)	Long term
14	Xinjiang	Solar power plant	690,990	Land use right (Allocation)	Long term
15	Xinjiang	Solar power plant	6,666	Lease	August 2040
16	Yunnan	Solar power plant	139,607	Land use right (Requisition)	Long term
17	Yunnan	Solar power plant	386,870	Land use right (Requisition)	Long term
18	Yunnan	Solar power plant	135,600	Land use right (Requisition)	June 2040
19	Yunnan	Solar power plant	637	Land use right (Requisition)	Long term
20	Yunnan	Solar power plant	479	Land use right (Requisition)	Long term
21	Yunnan	Solar power plant	89,224	Land use right (Requisition)	December 2078
22	Yunnan	Solar power plant	441,000	Land use right (Requisition)	Long term
23	Gansu	Solar power plant	6,455,51.9	Land use right (Allocation)	Long term
24	Gansu	Solar power plant	350,000	Land use right (Allocation)	Long term
25	Gansu	Solar power plant	611,760	Land use right (Allocation)	Long term
26	Gansu	Solar power plant	467,275	Land use right (Allocation)	Long term
27	Gansu	Solar power plant	425,412	Land use right (Allocation)	Long term
28	Qinghai	Solar power plant	10,241	Land use right (Assignment)	May 2040
29	Qinghai	Solar power plant	470,646	Land use right (Allocation)	Long term
30	Qinghai	Solar power plant	1,799	Land use right (Assignment)	May 2040
31	Qinghai	Solar power plant	33,781	Land use right (Assignment)	May 2040
32	Qinghai	Solar power plant	6,202	Land use right (Assignment)	May 2040
33	Qinghai	Solar power plant	662,794	Land use right (Allocation)	Long term

Environmental, Health and Safety Compliance

We are subject to numerous laws and regulations governing, among other matters, land utilization, development and zoning plans, wastewater discharges, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials.

We are also subject to environmental regulations such as regulations relating to the safeguard of natural conditions and animal wild life. Under such regulations, we are required to construct and maintain facilities to avoid polluting the areas in which we construct solar power plants. See "Industry Overview – Environmental Regulations". We regularly clean our solar panels to ensure optimal efficiency of power generation and we require permits to use water for the cleaning of solar panels.

Insurance

We have comprehensive insurance policies that cover our business, our properties and our employees. We employ a risk management policy for purposes of analyzing and reviewing the risks faced by our businesses in determining the appropriate insurance policies to maintain or procure. Our coverage includes all risk property insurance, machinery insurance, business interruption insurance, employer liability insurance and public liability insurance.

Intellectual Property

We rely on trade secret protection and confidentiality agreements to safeguard our interests. We believe that many elements of our solar power plant acquisition and development involve proprietary know-how and, to date, we have a number of patents, including a dynamic duty cycle compensation device, to ensure maximum power generation from each PV module (一種動態佔空比補償裝置); the ability to construct floating solar power plants (水面上漂浮、行駛由太陽能電池組件構成的無樁光伏電站); the ability to construct solar power plants in coastal locations with light, humidity and temperature sensors to maximize power generation (帶溫度、濕度、光照感測器的沿海灘塗上的太陽能電站) and a Maximum Power Point Tracking control device, which captures the maximum available power from PV modules by taking into account solar radiation, ambient temperature and solar cell temperature (一種用於太陽能光伏發電系統的MPPT控制裝置及方法).

Employees

We had 120 employees as of December 31, 2014, 249 employees as of December 31, 2015 and 296 employees as of June 30, 2016. The following table sets forth a breakdown of our employees by function as of the periods indicated:

	For the years ended December 31,		Six months ended June 30,
	2014	2015	2016
General management	8	9	10
M&A and project development	14	20	31
Solar power plant operations and maintenance	39	81	105
Procurement and construction	–	4	4
Finance and accounting	23	50	56
Human resources development and general affairs	17	40	42
Marketing	1	6	4
Internal Audit	2	3	6
Technology and Engineering	4	15	15
General services	12	21	23
Total	120	249	296

Governmental Regulations and Licenses

Our operations are subject to a variety of laws and regulations promulgated by the national and local governments of each jurisdiction in which we operate. See "Regulation" Except as otherwise disclosed in this offering memorandum, we believe we are in compliance in all material respects with the applicable governmental regulations in each jurisdiction in which we operate. We are not aware of any governmental proceedings or investigations to which we might become a party and which may have a material adverse effect on our properties and operations.

Various governmental, quasi-governmental, and regulatory agencies require the holding of certain licenses, concessions, and permits with respect to operations in the solar power industry. Our operations are conducted under valid licenses, concessions, permits, or certificates granted by the applicable regulatory body in that jurisdiction.

We maintain regular dialogue with local governments and regulatory authorities through their management teams or representatives in each jurisdiction. Ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits, or certificates.

Legal Proceedings

As of June 30, 2016, there are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which we are aware) that may have a material effect on our financial position or profitability.

Principal Regulatory Authorities Relating to Our Business

The Company and its PRC subsidiaries are principally subject to the supervision and restriction by a number of PRC governmental agencies and regulatory authorities. Such governmental agencies and regulatory authorities and their functions are as follows:

The National Development and Reform Commission ("**NDRC**"), provincial Development and Reform Commission and local Development and Reform Commission (collectively, "**DRC**") are responsible for:

- setting and implementing major policies concerning China's economic and social development;
- reviewing and approving investment projects in the power industry that have reached a certain scale;
- promulgating regulations and rules in connection with the operation of power plants;
- approving electricity tariffs; and
- accepting and approving Clean Development Mechanism ("**CDM**") projects.

National Energy Administration ("**NEA**") (the State Electricity Regulatory Commission ("**SERC**") has been merged into the NEA since March 2013) and its local branches are mainly responsible for (amongst other functions):

- promulgating rules for the power industry;
- supervising the operations and legal compliance of the participants in the power industry;
- issuing and administering Electric Power Business Permits (電力業務許可證); and
- supervising the power market.

The Ministry of Land and Resource and local land and resources authorities ("**MLR**") are responsible for the compliance with relevant regulations on planning, administration, protection and reasonable utilization of natural resources in land occupied by electricity projects. The Ministry of Environmental Protection ("**MEP**") is responsible for the supervision of environmental protection and monitoring of the PRC's environmental system at the national level. The State Administration of Work the Safety ("**SAWS**") is responsible for supervising work safety of power generation operations and project construction, and formulating various safety regulations. The Ministry of Commerce ("**MOFCOM**") is responsible for formulating and implementing regulations in relation to foreign investment in China and foreign mergers and acquisitions of Chinese entities. The State Administration of Taxation ("**SAT**") is responsible for promulgating and implementing tax policies and regulations.

Overall Regulatory Scheme in the PRC Power Industry

The regulatory framework of the PRC power industry is mainly set by the Electric Power Law of the PRC (《中華人民共和國電力法》)("**Electric Power Law**") and the Regulation on Electric Power Supervision (《電力監管條例》), which became effective on April 1, 1996 (amended on August 27, 2009, and April 24, 2015) and May 1, 2005 respectively. One of the stated purposes of the Electric Power Law is to protect the legitimate interests of investors, operators and users and to ensure the safety of power operations. The Electric Power Law also states that the PRC government encourages and regulates PRC and foreign investment in the power industry. The Regulation on Electric Power

Supervision sets out various aspects for strengthening electric power supervision, standardizing the supervision of electric power and improving the electric power supervisory system, including, among others, regulatory institutions, issuance of electric power business licenses, supervision and administration of electricity regulatory institutions, as well as legal liabilities arising from violations of regulatory provisions.

Electric Power Business Permit

Pursuant to the SERC's Provision on the Administration of the Electric Power Business Permit (《電力業務許可證管理規定》)("**Permit Provision**") which became effective on December 1 2005 (amended on May 30, 2015), the PRC power industry adopted the market-access permit system. Pursuant to the Permit Provision, unless otherwise provided by the SERC, any company or individual in the PRC may not engage in any electric power business (including power generation, transmission, dispatch and sales) without obtaining an electric power business permit promulgated by the SERC.

Application for an electric power business under the Permit Provision must comply with the following requirements:

- possessing legal personality;
- having the financial capability commensurate to the electric power business applied for;
- the persons in charge of each of production and operation, technology, safety and financial affairs having at least three years' working experience related to the electric power business applied for, and having the certificates of intermediate above professional and technical qualifications or the certificate of job training; and
- other requirements prescribed by the laws and regulations.

Application for an electric power business for power generation under the Permit Provision, other than satisfying the above requirements, must comply with the following requirements:

- the construction of power generation projects having been approved or verified by competent authorities;
- power generation facilities capable of power generation and operation; and
- power generation projects having been in compliance with the relevant environmental protection requirements and regulations.

According to the former SERC, power plants which were constructed and became operational after December 1, 2005 and before July 31, 2006 must obtain the electric power business permit applicable to power generation companies by the end of 2006. Power plants having newly constructed power generating projects which became operational after August 1, 2006 shall obtain an electric power business permit for their newly constructed projects as well as their existing projects within three months from the commencement of operations of the newly constructed projects.

Project Approvals

In accordance with the Decision on the Reform of Investment System (《關於投資體制改革的決定》), the Notice Regarding the Strengthening and Regulation of the Administration of Newly-commenced Projects (《關於加強和規範新開工項目管理的通知》), the Notice of the State Council on Promulgating the Catalogue of Investment Projects Subject to Government Verification and Approval (2014 Version)(《國務院關於發布政府核准的投資項目目錄(2014年版)》的通知), the construction of a power project may only commence after obtaining government approvals and requisite permits.

The Interim Measure for Administration of Photovoltaic Power Plant Projects (《光伏電站項目管理暫行辦法》), which became effective on August 29, 2013, further provides that, the competent energy department under the State Council is in charge of supervision and administration of the construction and operation of the nationwide photovoltaic power plant projects, and under the guidance of the competent energy department under the State Council, the provincial competent energy departments are in charge of the supervision and administration of the construction and operation of photovoltaic power plant projects of their respective areas. Prior to the construction of a photovoltaic power plant project, preparation work including site planning, resources analysis, construction condition analysis and market demand analysis shall be completed. The provincial competent energy departments administer the filing of the photovoltaic power plant projects in accordance with the administration regulation on investment projects prescribed by the State Council. Projects for filing shall comply with the national solar power generation development plan and the regional annual implementation scheme set by the competent energy department under the State Council, and shall have met grid-connection conditions. Upon completion of the project filing, the photovoltaic power plant shall commence construction in a timely manner after obtaining relevant construction documents required by the laws and regulations, and make an arrangement with power grid enterprises for subsequent electricity outputs. The project construction entity cannot change important items in the filing papers, such as investment body, project site and construction scale.

Dispatch

All electric power generated in China is dispatched through power grids, except for electric power generated by facilities not connected to a grid. Dispatch of power to each grid is administered by dispatch centers. Dispatch centers are responsible for the administration and dispatch of planned output of power plants connected to the grid. The Regulations on the Administration of Electric Power Dispatch to Networks and Grids (《電網調度管理條例》)("**Dispatch Regulations**"), which became effective on November 1, 1993 (amended on January 8, 2011), primarily regulates the operations of dispatch institutions including dispatch system, dispatch plan, dispatch rule and dispatch order.

Pursuant to the Dispatch Regulations and the Implementation Measures for Regulations on the Administration of Electric Power Dispatch to Networks and Grids (《電網調度管理條例實施辦法》)("**Implementation Measures**"), which became effective on October 11, 1994, dispatch institutions are established at each of five levels: the national dispatch institution, the inter-provincial, inter-autonomous regional and inter-municipal dispatch institutions, the provincial-level, autonomous regional-level and municipal-level dispatch institutions, the dispatch institutions of municipalities under provinces and the county-level dispatch institutions. The Implementation Measures further stipulates dispatch organization and administration, dispatch plan administration and grid-connection administration.

FITs

Tariffs are to be formulated to provide reasonable compensation for costs and a reasonable return on investment, to share expenses fairly and to promote the construction of additional power projects. The FITs for planned output and excess output are subject to the procedures involving review and approval by the DRC and the provincial pricing bureaus. The Interim Measures for the Administration of FITs (《上網電價管理暫行辦法》)("**Interim Measures**"), which became effective on May 1, 2005, primarily provides regulatory guidance for FITs. For the FITs prior to the competitive bidding for grid-connection, the FITs of an independent electricity generation enterprise shall be verified by the price administrative department of the government on the basis of the economic service period of its electricity generation project and pursuant to the principles of reasonable compensation for cost, reasonable determination of profits and legitimate inclusion of taxes. For the FITs after the competitive bidding for grid-connection, the two-tier FIT is applied: a capacity tariff shall be determined by the price administrative department of the government, which is set on the basis of the average investment cost of various electricity generation units participating in the competition of a regional power market or

a trading center for dispatching the power; while a coulometric tariff shall be set through market competition. Furthermore, electricity generation enterprises using new and renewable energy may not participate in the market competition temporarily.

On October 11, 2009, NDRC, SERC and NEA issued a Notice on Issues concerning Regulating the Management of Prices for Electricity Trading (《關於規範電能交易價格管理等有關問題的通知》), pursuant to which, after power generators coming into commercial operation, the FITs set by the competent pricing bureaus shall uniformly apply to the amounts of feed-in electricity of the power generators, except in the case of inter-provincial and inter-regional electricity trading or where it is otherwise prescribed by the PRC government. Prior to power generators coming into commercial operation, except for hydropower generators, the FITs approved by competent pricing bureaus shall be implemented for the renewable energy power generators from the date of grid-connection. Payments for purchase of electricity by power grid enterprises shall be included as power purchase costs.

Regulatory Scheme on Renewable Energy

Renewable Energy Laws and Regulations

In accordance with the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》)("**Renewable Energy Law**"), which became effective on January 1, 2006 (amended on December 26, 2009) and the Guidance Catalogue on Renewable Energy Industrial Development (《可再生能源產業發展指導目錄》)("**Guidance Catalogue**"), solar power is classified as a renewable energy. It also provides financial incentives, such as national funding, preferential loans and preferential tax treatment for the development of renewable energy projects and authorizes the relevant pricing authorities to set favorable prices for electricity generated from solar and other renewable energy sources.

On July 4, 2013, the State Council promulgated Several Opinions on Facilitating the Healthy Development of Photovoltaic Industry (《國務院關於促進光伏產業健康發展的若干意見》), which emphasizes the importance of the healthy development of the photovoltaic industry and sets out policy orientation for the active exploration of photovoltaic application markets, industry structure adjustment and technology advancement, regulation of the order of industry development, the perfection of the grid-connection administration and service as well as supporting policy.

On November 26, 2013, the NEA issued the Notice on Interim Measures for the Administration of Photovoltaic Power Generation Operation (《光伏發電運營監管暫行辦法》), which specifies that except for photovoltaic power plant projects which has obtained a waiver from obtaining the Electric Power Business License, all operating entities for photovoltaic power plant shall apply for the Electric Power Business License. National resources authority and its local counterparts supervise the photovoltaic power industry from, among others, the following perspectives: quality of the power generated by photovoltaic power plants; construction status of ancillary project for photovoltaic power plant projects; feed-in service for photovoltaic power industry; time-limit for the feed-in link of photovoltaic power generation; execution, implementation and filing of contracts of purchase and sale of electricity and grid-connection; maintenance of grid-connection operation.

Mandatory Purchase and Dispatch Priority

Mandatory Purchase

The Renewable Energy Law imposes mandatory obligations on grid companies to purchase all the electricity generated from renewable energy projects that are within the coverage of their grids, and to provide grid-connection services and related technical support.

In addition, according to the Regulatory Measures for Grid Enterprises' Full Purchase of Renewable Energy Electricity (《電網企業全額收購可再生能源電量監管辦法》), which became effective on September 1, 2007, SERC and its dispatch offices shall regulate grid enterprises' full purchase of feed-in electricity from grid-connected renewable energy electricity generation projects within the grid coverage.

Dispatch Priority

On August 2, 2007, the State Council approved the Provisional Measures on the Dispatch of Energy Saving Power Generation (《節能發電調度辦法(試行)》), which is aimed at optimizing the efficient use of natural resources and encouraging energy savings to achieve sustainability. Pursuant to this regulation, power generators are able to enjoy the highest dispatch priority if they use renewable energy including wind, solar and tidal power. Pursuant to such regulation, the dispatch priority of power generation units is determined in the following sequence: (a) non-adjustable power generation units utilizing renewable fuels; (b) adjustable power generation units utilizing renewable fuels; (c) nuclear power generation units; (d) cogeneration units and resources comprehensive utilization power generation units; (e) gas-fired power generation units; (f) other coal power generation units, including cogeneration units without heat load; and (g) oil-fired power generation units.

Tariff and Cost Sharing Program

In January 2006, NDRC issued two implementing rules relating to the Renewable Energy Law: (1) the Trial Measures on the Administration over the Pricing and Cost Allocation of Renewable Energy Power Generation (《可再生能源發電價格和費用分攤管理試行辦法》) and (2) the Administrative Regulations Relating to the Renewable Energy Power Generation (《可再生能源發電有關管理規定》). These implementing rules, among other things, set forth general policies for the pricing of feed-in power generated by solar and other renewable energy. In addition, NDRC issued the Provisional Measures for Administration of Specific Funds for Development of Renewable Energy (《可再生能源發展專項資金管理暫行辦法》) in June 2006, (amended on April 2, 2015), which provides that the PRC government will establish a fund specifically for the purpose of supporting the development of the renewable energy industry, including the solar energy industry.

Additional Subsidy Funds

Pursuant to the Notice on Issuing the Interim Measures for Administration of Additional Subsidy Funds for Renewable Energy Power Prices (《關於印發＜可再生能源電價附加補助資金管理暫行辦法＞的通知》) jointly promulgated by MOF, NDRC and NEA on March 14, 2012, and effective as of the same day, the subsidy standard for the feed-in power generated by renewable energy power projects may be determined as per factors such as the feed-in price of the renewable energy power and the benchmark price of desulfurized coal-fired generation units. For the engineering investments and operation and maintenance expenses incurred specifically for connection of renewable energy power projects to the grid system, appropriate subsidies shall be granted according to the feed-in power, and the subsidy standard is: 0.01 RMB per kWh if the connection distance is less than 50 km, 0.02 RMB per kWh if the connection distance is 50~100 km, and 0.03 RMB per kWh if the connection distance is 100 km or more. For the sales price of power generated by public renewable energy stand-alone electric power system invested in or subsidized by the Government, classified sales price of the same area shall be adopted. The excess of its reasonable operation and maintenance expenses over sales price shall be granted appropriate subsidy through surcharges on the renewable energy power price, and the subsidy standard is set temporarily at 4000 RMB per kW per year.

Environmental Regulations

The Company and its PRC subsidiaries are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. Further, it generates and discharges toxic, volatile or otherwise hazardous chemicals and waste in its research and development and manufacturing activities. The major environmental regulations applicable to the Company and its PRC subsidiaries include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Implementation Rules of the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法實施細則》), the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the

PRC on Appraising Environment Impacts, Regulation on Work Safety Permits, Administrative Regulation on the Safety of Hazardous Chemicals (《中華人民共和國環境影響評價法》), the Administration Regulation on the Levy and Use Discharge Fees, the Regulation of Hazardous Chemicals Safety Management and the Law of the PRC on Occupational Disease Prevention (《排污費徵收使用管理條例》), the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), and the Administration Measures of Inspection and Acceptance of the Environmental Protection of the Construction Projects (《建設項目竣工環境保護驗收管理辦法》).

According to the laws above, the construction of all power plants shall be subject to environmental impact assessment procedures which vary depending on the environmental impact of different types of power plants. After completion of their construction and before the commencement of their commercial operation, all power plants shall be subject to the environmental protection inspection for construction completion, and shall satisfy the specific environmental protection requirements on the projects formulated by the environmental authorities.

Production Safety

The Work Safety Law of the PRC (《中華人民共和國安全生產法》), which became effective on November 1, 2002 (amended on August 27, 2009 and August 31, 2014), is the principal legislation governing the supervision and administration of work safety of entities engaged in production and other business activities within the territory of the PRC. Measures for the Supervision and Administration of Work Safety of Power Industry (《電力安全生產監督管理辦法》), which became effective on March 1, 2015, is a regulation and rule regulating the safety for the safe production of power, and guaranteeing the safe and stable operation of the electric power system and the reliable supply of electric power. The NEA is responsible for the supervision and administration of nationwide power work safety.

Labor Protection

The main PRC labor laws and regulations applicable to power plants include the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》).

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on June 29, 2007 and became effective on January 1, 2008 (amended on December 28, 2012 and such amendments became effective on June 1, 2013). This law governs the establishment of employment relationships between employers and employees, and the execution, performance, termination of, and the amendment to, labor contracts. Compared to the PRC Labor Law, the new PRC Labor Contract Law provides additional protection to employees by requiring written labor employment contracts and long-term contractual employment relationships, limiting the scope of the circumstances under which employees could be required to pay penalties for breach of labor contracts and imposing stricter sanctions on employers who fail to pay remuneration or social security premiums for their employees.

Tax Preference

In China, enterprises that engage in renewable energy enjoy certain preferential tax treatment. The Guidance Catalogue on Renewable Energy Industrial Development (《可再生能源產業發展指導目錄》, promulgated by the NDRC on November 29, 2005 sets out 88 types of renewable energy projects which may be entitled to preferential tax treatment or designated funding if requirements of other laws and regulations are satisfied by these types of projects.

Corporate Income Tax

Pursuant to the Circular on the Execution of the Catalog of Public Infrastructure Projects Entitled to Preferential Tax Treatment (《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), jointly promulgated by the MOF and SAT on September 23, 2008, for the investment and operation

income of enterprises established after January 1, 2008 and that engage in public infrastructure projects, starting from the tax year in which the project generates operating income, the corporate income tax will be exempted for the first three years, and a 50% reduction will apply to the period from the fourth to the sixth year, provided that the investor of the project completes the registration process with the competent tax bureau within 15 days after first obtaining operating income. According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關税收政策問題的通知》) promulgated on July 27, 2011 and the Catalogue of Encouraged Industries in Western China (《西部地區鼓勵類產業目錄》) promulgated on August 20, 2014, for enterprises established in western regions and engaged in the construction and operation of solar energy system, the enterprise income tax shall be collected at a reduced rate of 15% from January 1, 2011 to December 31, 2020.

VAT Law

Effective as of January 1, 2009, the VAT refund policy available for certain foreign-invested enterprises that purchase domestically manufactured equipment was abolished pursuant to the Circular on the Abolishment of the Tax Refund Policy for the Purchase of Domestically Manufactured Equipment by Foreign-invested Enterprises (《關於停止外商投資企業購買國產設備退税政策的通知》), which was jointly issued by the MOF and SAT on December 25, 2008. However, a foreign-invested enterprise ("**FIE**") that purchases domestically manufactured equipment and receives VAT invoices and submitted a VAT refund application with the relevant tax authorities on or prior to June 30, 2009 are entitled to the VAT refund as before.

The MOF and SAT jointly promulgated the Notice of VAT Polices of Photovoltaic Power (《關於光伏發電增值税政策的通知》) on September 23, 2013, which stipulates that a taxpayer within the PRC is entitled to a VAT refund equal to 50% of the VAT it has collected in respect of the electricity generated by it within the period from October 1, 2013 to December 31, 2015. The validity period of this preferential tax treatment was later extended and this preferential tax treatment will be in place until December 31, 2018, pursuant to the Notice of the Continuous Implementation of the VAT Polices of Photovoltaic Power (《關於繼續執行光伏發電增值税政策的通知》) issued by the MOF and SAF, pursuant to which the Company's photovoltaic power plants within the PRC are generally entitled to a 50% reduction in their VAT expenses.

Regulations Relating to Foreign Exchange

Control of Foreign Exchange

Foreign currency exchange in PRC is primarily governed by two administrative regulations, namely, the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》)("**Foreign Exchange Administration Rules**"), promulgated by the State Council on January 29, 1996 (amended on January 14, 1997 and August 5, 2008), and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》)("**Regulations of Settlement, Sale and Payment of Foreign Exchange**"), promulgated by the People's Bank of China on June 20, 1996.

Under the Foreign Exchange Administration Rules, the Renminbi is freely convertible for routine current account items, including distribution of dividends, payment of interest, trade and service-related foreign exchange transactions. Conversion of Renminbi for most capital account items, such as direct investment, overseas loan, securities investment and repatriation of investment, however, is still regulated.

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, FIEs may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business complying with certain procedural requirements, such as providing valid commercial documents and, in the case of certain capital account item transactions, obtaining approval from the SAFE.

Dividend Distribution

The principal regulations governing distribution of dividends paid by FIEs are:

- Wholly Foreign-Owned Enterprise Law (1986), as amended;
- Wholly Foreign-Owned Enterprise Law Implementation Rules (1990), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law (1979), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law Implementation Rules (1983), as amended;
- Sino-Foreign Cooperative Joint Venture Enterprise Law (1988), as amended;
- Sino-Foreign Cooperative Joint Venture Enterprise Law Implementation Rules (1995); and
- Company Law of the People's Republic of China (1993), as amended.

Under these regulations, the Company and its PRC subsidiaries in the form of FIEs may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, before the distribution of dividends, such subsidiaries are required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that cannot be distributed as cash dividends.

Circular No. 37

On July 4, 2014, SAFE released the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Return Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)("**Circular No. 37**"). Pursuant to Circular No. 37, a PRC resident should apply to the SAFE for foreign exchange registration of overseas investments before it makes capital contribution to an SPV using his or her legitimate domestic or offshore assets or interests. SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. Following any significant change in a registered offshore SPV, such as capital increase, reduction, equity transfer or swap, consolidation or division involving domestic resident individuals, the domestic individuals shall amend the registration with the SAFE. Where an SPV intends to repatriate the funds raised after completion of the offshore financing to the PRC, it shall comply with relevant PRC regulations on foreign investment and foreign debt management. A foreign-invested enterprise established through return investment shall complete relevant foreign exchange registration formalities according to the prevailing foreign exchange administration regulations on foreign direct investment and truthfully disclose information on the actual controller of its shareholders.

NDRC Circular

On September 14, 2015, the NDRC published the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發改委關於推進企業發行外債備案登記制管理改革的通知》)("**NDRC Circular**"), which came into effect on the same date. The main provisions of the NDRC Circular are listed below:

- abolish the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Achieve the supervision and administration of the size of foreign debts borrowed on a macro level through the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;

- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;

- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised and back flow of funds. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;

- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises (企業發行外債備案登記證明) within 7 working days of accepting the application and within the limit of the total size of foreign debts;

- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration; and

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

On December 18, 2015, the NDRC published the Guideline on the Issuance of Foreign Debt by Enterprises (《企業境外發行債券指引》)("**Guideline**"), which further clarifies certain issues in the NDRC Circular. According to the Guideline, the entities subject to the filing requirements in the NDRC Circular include onshore enterprises (including financial entities) and their controlled offshore enterprises or branches; and the "foreign debts" under the NDRC Circular include but are not limited to ordinary notes, senior notes, financial notes, perpetual notes, convertible notes, preferred shares and other offshore debt financing tools. In addition, the Guideline further requires the onshore entities which failed to complete the pre-issuance registration by the promulgation of the Guideline to complete the pre-issuance registration by the end of January 2016, and those onshore entities which failed to submit to the NDRC the relevant information in relation to the issuance of the offshore notes should complete the submission as soon as practicable. Furthermore, according to the Guideline, the NDRC will set a "black list" and a credit information exchange platform on the credit information for those entities or intermediaries which have provided false information in its registration with the NDRC, and will impose punishment with other government authorities on such entities. As new regulations, the NDRC Circular and the Guideline will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the legality, enforceability and validity of the notes.

Our board of directors is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board as of the date of this offering memorandum:

Name	Age	Position and responsibilities
Li Alan	49	Chairman, Chief Executive Officer and Executive Director, primarily responsible for formulating business strategy, overseeing acquisitions and development of solar power projects, and daily operations
Lu Zhenwei	45	Executive Director and Chairman of the Risk Control Committee, primarily responsible for reviewing significant investments
Li Hong	43	Executive Director and Chief Financial Officer, primarily responsible for developing financial strategy, corporate finance activities and financial management of our Company
Qiu Ping Maggie	38	Executive Director, Company Secretary and Executive President, primarily responsible for legal matters and compliance, corporate governance, human resources and acquisitions of solar power projects in overseas markets
Yao Jiannian	63	Non-executive Director
Tang Wenyong	52	Non-executive Director
Kwan Kai Cheong	67	Independent Non-executive Director
Yen Yuen Ho Tony	69	Independent Non-executive Director
Shi Ding Huan	73	Independent Non-executive Director
Ma Kwong Wing	71	Independent Non-executive Director

DIRECTORS

Executive Directors

Mr. Li Alan, aged 49, was appointed as our Executive Director on June 10, 2013. Mr. Li is also our Chief Executive Officer, Chairman of our Board of Directors, a member of our Nomination Committee, and a member of our Risk Control Committee. Mr. Li is primarily responsible for formulating our business strategy, overseeing acquisitions and development of solar power projects, and day to day operations of the Company. Mr. Li possesses extensive experience in investments in solar power projects and the management of conglomerates. Mr. Li has a Masters degree in Business Administration from Murdoch University of Australia.

Mr. Lu Zhenwei, aged 45, was appointed as our Executive Director on June 10, 2013 and is the Chairman of our Risk Control Committee. Mr. Lu is also the executive director and chief financial officer of New Energy Exchange Limited and chairman of the board of each of China Merchants Technology Holdings Co., Ltd. and China Merchants New Energy Group Limited. Mr. Lu is also the director of China Solar Power Group Limited. Mr. Lu previously served as a director of Beijing Qinghua Huahuan Electronics Co., Ltd.(北京華環電子股份有限公司), China KZ High technology Co., Ltd.(中國科招高技術有限公司), and general manager of China Merchants Technology Group Co., Ltd. Mr. Lu previously served as a director of Shenzhen CAU Technology Co., Ltd(深圳中國農大科技股份有限公司) from May 2003 to May 2008, the shares of which are listed on the main board of Shenzhen Stock Exchange. Mr. Lu has a Bachelors degree in Economics from the Shanghai Maritime University and a Masters degree in Finance from the Zhongnan University of Economics and Law.

Mr. Li Hong, aged 43, was appointed as our Executive Director on August 28, 2015, has been serving as our Chief Financial Officer since April 2014, and is a member of our Risk Control Committee. Mr. Li is primarily responsible for developing our financial strategy, and is the Chairman of our Chinese Affairs Management Committee. Mr. Li also acts as the general manager of United Photovoltaics (Changzhou) Investment Co., Ltd., a major subsidiary of ours, as well as acting as a director of several of our other subsidiaries. Prior to joining our Company, Mr. Li worked in the finance department of the Overseas Chinese Affairs Office of the State Council and has also held prominent roles with China Travel Service (Holdings) Hong Kong Limited. Mr. Li possesses extensive experience in managing large state-owned enterprises, industrial enterprises, as well as the tourism and media industry. Mr. Li has a Bachelors degree in Economics from the Central University of Finance and Economics and a Masters in Business Administration from Murdoch University of Australia.

Ms. Qiu Ping Maggie, aged 38, was appointed as our Executive Director on August 28, 2015, was appointed as our Executive President on January 1, 2016, and is also our Company Secretary. Concurrently, Ms. Qiu serves as a director and president of China Solar Power Group Limited, a wholly-owned subsidiary of ours, where she has been responsible for overseeing their legal and compliance matters, corporate governance, and human resources for over eight years. Previously, Ms. Qiu was the company secretary and senior vice president of a company listed on the NASDAQ stock exchange and assistant to the general manager for several prominent multinational companies. Ms. Qiu has a Bachelors degree in Economics and German Literature from Peking University and a Masters degree in European Culture and Economics from Ruhr University, Bochum, Germany as well as a Masters degree in Corporate and Financial Law from The University of Hong Kong.

Non-executive Directors

Mr. Academician Yao Jiannian, aged 63, was appointed our Non-executive Director on October 25, 2010. Academician Yao is currently a researcher with the Institute of Chemistry, Chinese Academy of Science ("CAS"), and was elected as an academician of the CAS in 2005. Academician Yao is also a member of the Ninth and Tenth National Committee of the Chinese People's Political Consultative Conference, a member of the Standing Committee of the Eleventh and Twelfth National People's Congress, and a member of the Seventh National Committee of the China-Association for Science and Technology. From August 1995 until September 1999, Academician Yao had successively been an associate researcher, researcher, instructor to students seeking doctoral degrees, the director of a laboratory, and an assistant to the head of the Institute of Photographic Chemistry, CAS. From March 2000 until March 2008, he was the deputy head of the Institute of Chemistry, CAS. Academician Yao has a Bachelors degree in Chemistry from the Fujian Normal University, a Masters degree in Engineering from Tokyo University, and a Doctorate degree from Tokyo University.

Mr. Tang Wenyong, aged 52, was appointed our Non-executive Director on December 24, 2015 and is also a member of our Audit Committee, Remuneration Committee, and Risk Control Committee. Mr. Tang is also a director of China Merchants New Energy Group Limited, and a director of Jiangxi Selon Industrial Co., Ltd. and Shenzhen Jasic Technology Co., Ltd., the shares of which are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and the Growth Enterprise Market of the Shenzhen Stock Exchange, respectively. Mr. Tang is also a senior managing director of China Merchants Capital Management Co., Ltd. Previously, Mr. Tang served as an officer of the research and development department of China Merchants Shekou Industrial Zone Co., Ltd. and the general manager of China Merchants Investment and Consultancy Management Co., Ltd. Mr. Tang has a Bachelors degree in Economic Geography from Peking University.

Independent Non-executive Directors

Mr. Kwan Kai Cheong, aged 67, was appointed our Independent Non-executive Director on April 1, 2011 and is also the Chairman of our Audit Committee and Remuneration Committee and a member of our Nomination Committee, and Risk Control Committee. Mr. Kwan is concurrently the president of Morrison & Company Limited, a business consultancy firm and the chairman of the board of Utopa Limited, a commercial property company in China, and since February 2007 has served as a non-executive director of China Properties Group Limited, He also serves as an independent non-executive director of HK Electric Investments Limited, HK Electric Investments Manager Limited, Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited, Henderson Sunlight Asset Management Limited, Dynagreen Environmental Protection Group Co., Limited, and CK Life Sciences Int'l., (Holdings) Inc., all of which are listed on the Main Board of the Stock Exchange of Hong Kong. Mr. Kwan was previously the president and chief operating officer for Merrill Lynch & Co., Inc. (Asia Pacific), and an independent non-executive director of Galaxy Resources Limited, a company listed on the Australian Securities Exchange, and China Oceanwide Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong. Mr. Kwan obtained a Bachelors degree in Accounting from the National University of Singapore in 1973, qualified as a chartered accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. Mr. Kwan completed Stanford's Executive program in 1992.

Mr. Yen Yuen Ho, Tony, aged 69, was appointed our Independent Non-executive Director on April 6, 2011 and is also a member of our Audit Committee, Remuneration Committee, and the Chairman of our Nomination Committee. Mr. Yen is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University. Mr. Yen is an honorary court member of the Hong Kong University of Science and Technology and an honorary fellow of the School of Education, Hong Kong University. He is the director of two secondary schools, the vice president of the Neighborhood Advice Action Council and a member of Heep Hong Society's Executive Council. Mr. Yen is also an independent non-executive director of Jinchuan Group International Resources Company Limited and Alltronics Holding Limited, both of whose shares are listed on the Main Board of the Stock Exchange of Hong Kong, and an independent director of China Minsheng Jiaye Investment Co., Ltd. Mr. Yen was previously a senior civil servant; from April 1994 until March 2007 he was the law draftsman of the Department of Justice, where he was responsible for drafting Hong Kong legislation and a member of the Hong Kong government's Law Reform Commission. Mr. Yen is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing. He is an honorary legal adviser to the Shanghai Fraternity Association and to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a member to the Hong Kong Law Society's Greater China Legal Affairs Committee and as a director of the Hong Kong Institute for Public Administration. In April 2009, Mr. Yen was appointed by the Hong Kong SAR Government as the vice chairman of the Social Welfare Lump Sum Grant Independent Complaints Handling Committee. He is currently also a panel member of the Review Board of School Complaints of the Education Bureau of HKSAR. Mr. Yen is a solicitor in Australia, Hong Kong, and the United Kingdom and a barrister of Australia.

Mr. Shi Dinghuan, aged 73, was appointed our Independent Non-executive Director on June 10, 2013. Mr. Shi, from June 2012 until May 2014, was an independent non-executive director of Guodian Technology and Environment Group Corporation Limited, whose shares are listed on the Main Board of the Stock Exchange of Hong Kong. Previously, Mr. Shi was a counselor of the State Council of the PRC. He is concurrently the chairman of the China Renewable Energy Society, the invited deputy chairman of the China Energy Research Society, the invited vice chairman of the China Industry-University-Research Institute Collaboration Association, and the honorary chairman of the China Association of Productivity Promotion Centres. Mr. Shi has worked in the Nuclear Energy Technology Institute of Tsinghua University since November 1973. In October 1980, he joined the State Commission of Science and Technology of the PRC ("SSTC"), the predecessor of the Ministry of Science and Technology. He was appointed as the deputy division chief of the Forecasting Bureau of the SSTC, deputy director of the Industrial Technology Bureau of the SSTC, and the director of the Department of Industrial Science and Technology of the SSTC. Mr. Shi served as the deputy director-general of the High and New Technology Department and Industrial Department (directorate grade)(科學技術部高新技術發展及產業化司副司長(正司級) of the PRC. In March 2004, Mr. Shi was appointed as counselor of the State Council of the PRC. Mr. Shi has taken part in the implementation of the Seventh Five-Year-Plan of the National Economy and the Mid-and-Long-Term Plan of Technology Development 1991-2000. Mr. Shi has also contributed to the formulation of technology programs and the implementation of key technology projects in hi-tech areas for the Eighth, Ninth, and Tenth Five-Year-Plans. He has taken part in various hi-tech industrialization programs, such as the High & New Technology Industries Development Zones (國家高新區), Enterprise Incubation, Productivity Centers, and Technology and Innovation Engineering. Mr. Shi has a Bachelors degree in Radiation Dosimetry and Protection from Tsinghua University.

Ma Kwong Wing, aged 71, was appointed our Independent Non-executive Director on September 1, 2013. Previously, Mr. Ma worked for Hang Seng Bank Limited for over 30 years, during which he held several prominent positions, including being appointed as company secretary in 1988 and assistant general manager in January 1993. In February 2006, Mr. Ma was appointed as independent non-executive director of Henderson Sunlight Asset Management Limited, the manager of Sunlight Real Estate Investment Trust whose shares are listed on the main board of The Stock Exchange of Hong Kong. Mr. Ma is a fellow of The Hong Kong Institute of Directors, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators, and The Hong Kong Institute of Chartered Secretaries. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an associate member of The Chartered Institute of Bankers, and The Hong Kong Institute of Bankers. Since November 2014, Mr. Ma has been a fellow member of the Hong Kong Securities and Investment Institute.

Board Committees

Audit Committee

We established an Audit Committee on March 14, 2000 with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of three members, including two Independent Non-executive Directors, Mr. Kwan Kai Cheong, who is the Chair of the Audit Committee and also possesses the relevant professional qualifications and expertise in financial reporting matters, Mr. Yen Yuen Ho, Tony, and one Non-executive Director, Mr. Tang Wenyong. The primary duties of the Audit Committee are to make recommendations to the board on the appointment, reappointment, enumeration and terms of engagement of our external auditors, review and monitor our external auditors independence and objectivity as well as making recommendations and reports to the board on findings relating to our financial statements, reports and accounts, financial reporting systems, internal control procedures, and compliance issues.

Remuneration Committee

We established a Remuneration Committee on September 28, 2005 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee consists of three members, two Independent Non-executive Directors, Mr. Kwan Kai Cheong, who is the Chair of the Remuneration Committee, Mr. Yen Yuen Ho, Tony, and one Non-executive Director, Mr. Tang Wenyong. The primary duties of the Remuneration Committee include making recommendations to the board on our policy and structure for all Directors' and senior management's remuneration by referencing corporate goals and objectives adopted by the board, approving the terms of Directors' service contracts, and making recommendations to the board on the remuneration packages of Executive Directors and senior management.

Nomination Committee

We established a Nomination Committee on March 23, 2012 with written terms of reference. The Nomination Committee consists of three members, two Independent Non-executive Directors, Mr. Yen Yuen Ho, Tony, who is the Chair of the Nomination Committee, Mr. Kwan Kai Cheong and one Non-executive Director, Mr. Li Alan. The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the board at least once a year and make recommendations on any proposed changes to the board to compliment the Company's corporate strategy, identify individuals suitably qualified to become Directors, and select, or make recommendations to the board, on the selection of individuals nominated for Director and senior management roles, the appointment or reappointment of Directors and succession planning for Directors. The Nomination Committee is also responsible for assessing the Independence of Independent Non-executive Directors.

Risk Control Committee

We established a Risk Control Committee on July 23, 2013 with written terms of reference. The Risk Control Committee consists of five members, including three Executive Directors, Mr. Lu Zhenwei, who is the Chair of the Risk Control Committee, Mr. Li Alan, and Mr. Li Hong, one Independent Non-executive Director, Mr. Kwan Kai Cheong, one Non-executive Director, Mr. Tang Wenyong. The Risk Control Committee aims to strengthen the risk analysis, judgment, and decision making of the board. The main responsibilities of the Risk Control Committee are to review significant investments, assess our internal control system, and to conduct risk assessment on our material operations, compliance issues, and financial matters.

Compensation of Directors and Senior Management

Our Executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonuses.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses which were paid or payable to our Directors for the two years ended December 31, 2014, 2015, and the six months ended June 30, 2016 was RMB7.3 million, RMB9.9 million, and RMB5.9 million (US$0.9 million), respectively.

The aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses which were paid by us to our five highest paid employees for the two years ended December 31, 2014, 2015, and the six months ended June 30, 2016 was RMB10.7 million, RMB15.3 million, and RMB8.5 million (US$1.3 million), respectively.

No remuneration was paid by us to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the years ended December 31, 2014, and 2015 and the six months ended June 30, 2016. Further, none of our Directors waived any remuneration during the same periods.

SHARE OPTION SCHEME

Our shareholders adopted a Share Option Scheme on June 19, 2012 in accordance with the Listing Rules. Our board may, at its discretion, offer to grant an option to subscribe for such number of new shares at a price as it may determine to any of our full-time or part-time employees, executives, officers, Directors (including Independent Non-executive Directors), advisors, consultants, suppliers, customers, distributors, agents and any such other persons who in the sole opinion of our board, will contribute or have contributed to us. The share option scheme shall be valid and effective for a period of ten years from the date of its adoption and no option may be exercised more than ten years after it has been granted.

The maximum number of shares in respect of which options may be granted under our share option scheme must not exceed 30% of the shares in issue from time to time.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of October 31, 2016 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "**SFO**")):

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of interest in our Company[11]
CMNEG, together with parties with whom they are acting in concert			
CMNEG[2]	Beneficial owner and shares issuable upon (i) the completion of the investment of CMNEG in our Company (the "**CMNEG Investment**"), pursuant to a share subscription agreement entered into between CMNEG and us on September 20, 2016, and the full exercise of rights attaching to warrants to be granted by us thereunder[7] and (ii) the full exercise of rights attaching to the outstanding convertible bonds issued by us[8]	2,139,722,469 (L)	44.17%
New Energy Exchange Limited ("**NEX**")[3]	Beneficial owner and shares issuable upon (i) the completion of the investment of NEX in our Company (the "**NEX Investment**"), pursuant to a share subscription agreement entered into between NEX and us on September 20, 2016[9] and (ii) the full exercise of rights attaching to the outstanding convertible bonds issued by us[8]	365,646,070 (L)	7.55%
Snow Hill Developments Limited ("**Snow Hill**")[4]	Beneficial owner	103,111,436 (L)	2.13%
Magicgrand Group Limited ("**Magicgrand Group**")[5]	Beneficial owner	141,230,827 (L)	2.92%
Pairing Venture Limited[5]	Beneficial owner	18,173,487 (L)	0.38%
Sino Arena Investments Limited[6]	Beneficial owner	63,568,708 (L)	1.31%
		2,831,452,997 (L)	**58.45%**
China Merchants Fund Management Limited	Shares issuable upon the full exercise of rights attaching to the outstanding convertible bonds issued by us thereunder[10]	547,731,493 (L)	11.31%
ORIX	Shares issuable upon the completion of the ORIX Investment and the full exercise of rights attaching to warrants to be granted by us thereunder[10]	1,915,513,152 (L)	39.54%
Associates of China Huarong Asset Management Co., Ltd.			
Driven Innovation Limited	Shares issuable upon the full exercise of rights attaching to the outstanding convertible bonds issued by us	631,376,578 (L)	13.03%
Power Revenue Limited	Shares issuable upon the full exercise of rights attaching to the outstanding convertible bonds issued by us	596,153,846 (L)	12.31%
		1,227,530,424 (L)	**25.34%**
Qingdao City Construction Investment (Group) Co., Ltd	Shares issuable upon the full exercise of rights attaching to the outstanding convertible bonds issued by us	502,986,093 (L)	10.38%
Zhongli New Energy (Hong Kong) Investment Limited	Beneficial owner and shares issuable upon the full exercise of rights attaching to the outstanding convertible bonds issued by us	379,870,000 (L)	7.84%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) CMNEG is beneficially 79.36% owned by CMG and 20.64% owned by Magicgrand Group.

(3) NEX is owned as to 9.9% by Magicgrand Group, as to 8.13% by Snow Hill and as to 81.97% by other third-parties. The number of our shares held by NEX as disclosed above are held by two wholly-owned subsidiaries of NEX.

(4) Snow Hill is 100% beneficially owned by CMG.

(5) Magicgrand Group and Pairing Venture Limited are 100% owned by Mr. Alan Li, the Chief Executive Officer of our Company.

(6) Sino Arena Investments Limited is the trustee company in relation to an equity incentive scheme of one of our subsidiaries.

(7) Upon completion of the CMNEG Investment and the full exercise of rights to be granted by us thereunder, CMNEG will be issued 1,119,742,219 shares in our Company.

(8) Upon the full exercise of their respective rights attaching to the outstanding convertible bonds issued by us, CMNEG and NEX will be issued 440,036,000 and 33,293,000 shares in our Company, respectively.

(9) Upon completion of the NEX Investment, NEX will be issued 68,799,449 shares in our Company.

(10) Upon completion of the ORIX Investment and the full exercise of rights to be granted by us thereunder, ORIX will be issued 1,915,513,152 shares in our Company.

(11) Approximate percentage based on 4,844,310,325 shares issued as of October 31, 2016.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

Material related party transactions identified during the years/periods and balances with these related parties at those dates are summarized as follows:

		For the year ended December 31, 2014	For the year ended December 31, 2015	For the six months ended June 30, 2016
		RMB'000	*RMB'000*	*RMB'000*
1	Sales of electricity to associates of CMNEG	1,960	2,047	851
2	Share subscription from CMNEG, a substantial shareholder of our Company	–	79,056	–
3	Acquisition of solar power plants from an associate of CMNEG	5,500	21,711	–
4	Issuance of convertible bonds to an associate of CMNEG	–	414,757	–

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

The following summary of the principal terms of the instruments governing our material indebtedness does not purport to be a complete description of all of the terms of these instruments and may not contain all of the information that may be important to prospective investors. Investors should read the notes to our consolidated financial statements for additional information about our indebtedness.

To fund our working capital requirement and business expansion, we have in the past issued certain debt securities as well as borrowed money from various banks, leasing companies and third-parties. As of June 30, 2016, our total indebtedness, totaled RMB10,981.6 million (US$1,652.4 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

Bank Loans

Certain of our subsidiaries have entered into various short-term and long-term loan agreements with various banks, including, the China Development Bank, the Industrial and Commercial Bank of China, Ping An Bank and the Bank of Beijing. These loans are to, among others, finance our working capital requirements and acquire and develop solar power plant projects, and have terms ranging from one to 14 years. As of December 31, 2014, 2015 and June 30, 2016, the aggregate outstanding amount under these loans totaled approximately RMB1,867.8 million, RMB3,228.9 million and RMB3,590.9 million (US$540.3 million), respectively.

Interest

Our bank loans generally bear interest at fixed rates ranging from 4.35% to 7.2%, or floating rates calculated by reference to the People's Bank of China's benchmark interest rate per annum. Floating interest rates generally are subject to review by the lending banks annually. Interest payments are payable either quarterly, semi-annually and annually as provided in the particular loan agreement.

Covenants

Under the terms of our bank loans, we have agreed not to, among other things, without first obtaining the relevant leasing companies' prior consent:

- create encumbrances over our property or assets or to deal with our property or assets in a manner that would adversely affect our ability to repay the respective loan;
- grant guarantees to any third-party that may adversely affect our ability to repay the respective loan;
- make a material investment;
- incur additional indebtedness;
- make significant changes to our corporate structure, such as entering into joint ventures, mergers and acquisitions, and corporate reorganizations;
- materially alter the nature and scope of our business operations; and
- conduct activities that may adversely impact the rights and benefits of the Lender.

Events of Default

The bank loan agreements typically contain customary events of default, including insolvency and breaches of the terms of the loan agreements. Under such circumstances, the banks are entitled to terminate their respective agreements and/or demand immediate repayment of all outstanding loan amounts and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our subsidiaries have entered into guarantee agreements with the banks in connection with a number of our bank loans pursuant to which certain land use rights, properties, accounts receivable, deposit receipts, machines and equipment and pledges of shares of these subsidiaries have been provided to the banks as security.

Loans from Leasing Companies

We have also entered into finance leases with leasing companies, including Citic Financial Leasing Co., Ltd, JIC Leasing Co., Ltd., Beijing City Cultural Technology Leasing Limited, CR Leasing Co. Ltd. and China Kangfu International Leasing Co. Ltd. These finance leases are to finance the acquisition of PV modules and other supplementary equipment for our solar power plants. These finance leases are in the form of sale and leaseback transactions, which have terms ranging between two and ten years. At the end of a lease term, the leasing company is obligated to transfer the title to the relevant leased property to us, upon our payment of nominal consideration and fulfilment of our obligations thereunder. We had no outstanding loans from leasing companies as of December 31, 2014, 2015 and June 30, 2016, the aggregate outstanding amount under these loans totaled approximately RMB197.4 million, RMB1,660.2 million and RMB2,385.8 million (US$359.0 million), respectively.

Interest

The principal amounts outstanding under the finance leases generally bear interest at floating rates calculated by reference to the People's Bank of China's benchmark interest rate per annum. Interest payments are payable in arrears either monthly or quarterly.

Covenants

Under the terms of our finance leases, we have agreed not to, among other things, without first obtaining the relevant leasing companies' prior consent:

- create certain encumbrances on any part of the leased properties or assets;
- deal with our assets in a way that may adversely affect our ability to repay the loans;
- transfer or lease the leased properties;
- dispose part or all of the company's shares by transfer, pledge or otherwise;
- permit other persons to use the leased properties or assets;
- make any major changes to our corporate structure, such as entering into joint ventures, mergers and acquisitions and corporate reorganizations;
- make any changes to the appearance, nature or quality of the leased properties;
- materially alter the nature and scope of our business operations; and
- pay all expenses, including taxes and insurance premiums and settle any claims from third parties during the rental period.

Events of Default

The finance leases contain certain customary events of default, including, among others, insolvency and breaches of the terms of the finance leases. Under such circumstances, the leasing companies would be entitled to terminate their respective agreements with us and/or demand immediate repayment of the loans and any accrued interest.

Guarantee and Security

Our subsidiaries have entered into guarantee agreements with the leasing companies in connection with certain of the finance leases pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these finance leases. In addition, certain of our finance leases were secured by the pledge of the leased properties, the pledge of income of our subsidiary borrowers derived from the operations of the power plants and the pledge of the equity interests in the borrowers which are held by our subsidiaries.

Medium Term Notes

We have issued ten series of medium term notes under our HK$2,000,000,000 medium term note program (the "**MTN Program**"), which we established in May 2015, to Ayers Alliance Securities (HK) Limited, a finance company, as well as other noteholders. As of December 31, 2015 and June 30, 2016, the aggregate outstanding amount under our medium term notes totaled approximately RMB64.9 million and RMB97.2 million (US$14.6 million), respectively. The following table sets forth certain information on each series of medium term notes that we have issued under our MTN Program.

No.	Principal amount (HK$)	Interest rate per annum	Issue date	Maturity date
1.	80 million	7.50%	November 2015	November 2017
2.	10 million	7.00%	April 2016	April 2019
3.	10 million	7.00%	May 2016	May 2019
4.	20 million	7.00%	May 2016	May 2019
5.	10 million	6.75%	July 2016	July 2019
6.	10 million	6.75%	August 2016	August 2019
7.	11 million	6.75%	September 2016	September 2019
8.	10 million	6.75%	October 2016	October 2019
9.	37 million	6.75%	December 2016	December 2019
10.	20 million	6.75%	January 2017	January 2020

Our medium term notes are unsecured and are guaranteed by our subsidiary, Green Shine Group Limited ("**Green Shine**"), and benefit from a keepwell deed provided by China New Merchants New Energy Group Limited, our immediate parent company. Interest on our medium term notes are paid in semi-annually in arrears. Under the terms of our MTN Program, Green Shine and its subsidiaries are not permitted to grant any security interest over any part of their present or future undertakings, assets or revenues or make any guarantee to secure other indebtedness in the PRC without, at the same time, securing or guaranteeing the notes issued under the MTN Program and the interest payable under the notes.

Our medium term notes contain customary events of default, including, among others, failure to pay the principal or any interest, breaches of obligations under the notes, insolvency, cross-defaults, where we default on our debt obligations towards other lenders or if the keepwell deed is not in full force or has been terminated other than in accordance with its terms. Under such circumstances, holders of the notes are entitled to accelerate payment due under the notes.

Convertible Bonds

We have issued and outstanding eight series of convertible bonds to entities such as subsidiaries of CMG that include China Merchants New Energy Group Limited, our immediate parent company as well as other private equity funds. As of December 31, 2015 and June 30, 2016, the aggregate outstanding amount under our convertible bonds totaled approximately RMB2,911.0 million and RMB3,475.3 million (US$522.9 million), respectively. The following table sets forth certain information on each outstanding series of convertible bonds that we have issued.

No.	Principal amount	Interest rate per annum	Issue date	Maturity date	Conversion price per share	Conversion period
1.	HK$759.9 million	–	June 2013	June 2018	HK$1.00	At any time up to the maturity date
2.	HK$233.0 million	–	December 2013	December 2018	HK$1.60	At any time up to the maturity date
3.	HK$524.8 million	7.50%	April 2015	April 2018	HK$1.03	Last day of a six-month period immediately following the issue date to the five business days prior to the maturity date
4.	US$30 million	7.50%	April 2015	April 2018	HK$1.03	Last day of a six-month period immediately following the issue date to the five business days prior to the maturity date
5.	US$100 million	7.00%	June 2015	June 2018	HK$1.3134	The day immediately following the issue date to five days prior to the maturity date
6.	US$15 million	7.50%	June 2015	June 2018	HK$1.03	The day immediately following the issue date to five days prior to the maturity date
7.	US$100 million	6.75%	December 2015	December 2018	HK$1.5928	The day immediately following the issue date to five days prior to the maturity date
8.	US$50 million	6.50%	August 2016	August 2019	HK$0.65	Last day of a three-month period immediately following the issue date to five business days prior to maturity date

Our convertible bonds are typically guaranteed by a number of our subsidiaries and may, from time to time, be secured by, among other things, operating equipment, the collection rights in relation to fees from electricity sales and/or share charges. Such security is typically provided by our PRC subsidiaries, although our offshore subsidiaries may also, from time to time, provide pledges on their shares or shares of another of our offshore subsidiaries as security. The shares of two of our offshore subsidiaries, Driven Green Holdings Limited and Premier Yield Holdings Limited, are pledged to secure certain outstanding convertible bonds. Interest on our convertible bonds are generally paid annually in arrears. Under the terms of our convertible bonds, we are generally required to ensure that our shares remain listed on the Stock Exchange of Hong Kong and that shares to be issued under the terms of the convertible bonds are unencumbered and free from any pre-emptive rights. We are also not to take any action, the effect of which would be to reduce the conversion price of the shares to below the par value of the shares.

Subject to the occurrence of certain events stated under the terms of the convertible bonds, see Note 25 to our consolidated financial statements as of December 31, 2015, we are entitled to, having given a mandatory conversion notice to the relevant convertible bondholders, convert the outstanding principal amount of those convertible bonds into our shares at the conversion price then in effect. Our convertible bonds contain customary events of default, including, among others, failure to pay the

principal or any interest, breaches of obligations under the bonds, insolvency, and suspension of our shares from trading. Under such circumstances, holders of the bonds are entitled to accelerate payment due under the bonds.

Loans from Third-Parties

Certain of our subsidiaries have entered into loan agreements with third-parties. These loans are interest-free and are repayable on demand. We generally use amounts drawn under these loans to finance our working capital. As of December 31, 2014, 2015 and June 30, 2016, the aggregate outstanding amount under these loans totaled approximately RMB65.5 million, RMB55.5 million and RMB55.5 million (US$8.4 million), respectively.

Covenants

Under the terms of our loans from third-parties, without prior consent from them, we are generally prohibited from:

- creating encumbrances over our property or assets or to deal with our property or assets in a manner that would adversely affect our ability to repay the respective loan;
- granting guarantees to any third-party that may adversely affect our ability to repay the respective loan;
- making significant changes to our corporate structure, such as entering into joint ventures, mergers and acquisitions, and corporate reorganizations; and
- materially altering the nature and scope of our business operations.

Events of Default

The bank loan agreements typically contain customary events of default, including insolvency and breaches of the terms of the loan agreements. Under such circumstances, the banks are entitled to terminate their respective agreements and/or demand immediate repayment of all outstanding loan amounts and any accrued interest upon the occurrence of an event of default.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to United Photovoltaics Group Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which Guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under "– The Subsidiary Guarantees" and in "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees";
- effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on January 25, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "– Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will bear interest at 8.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 25 and July 25 of each year (each an "Interest Payment Date"), commencing July 25, 2017. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Notes will be paid to the Holders of record at the close of business on January 10 or July 10 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately

following Interest Payment Date. In any case in which the date of the payment of principal of, premium on, or interest on, the Notes is not a Business Day, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying Agent, currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than (i) the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and (ii) Sky Cypress Limited (BVI), Gay Giano China Development Limited (BVI), Gay Giano Shanghai Limited (HK), Goldpoly New Energy Limited (HK), Time Infrastructure Hong Kong Limited (HK), Gay Giano Technology Limited (BVI), Gay Giano Holdings Limited (BVI), Cour Carre Hong Kong Limited (HK), Renewable Energy UK Portfolio Limited (HK) and Pearl International Investments S.à r.l. (Luxembourg) (the "Initial Offshore Non-Guarantor Subsidiaries"). Certain of the Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or Exempted Subsidiaries), as soon as practicable and in any event within 30 days after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will Guarantee the payment of the Notes. Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or at any time thereafter or ceases to be an Exempted Subsidiary by the Board of Directors designating it as an Offshore Non-Guarantor Subsidiary (each such Restricted Subsidiary, a "New Offshore Non-Guarantor Subsidiary," and together with the Initial Offshore Non-Guarantor Subsidiaries, the "Offshore Non-Guarantor Subsidiaries"); *provided that*, after giving effect to the amount of Consolidated Assets of such Restricted Subsidiary, (i) the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries do not exceed 20% of the Total Assets and (ii) no Event of Default shall have occurred and be continuing, as of the date such designation. Notwithstanding the foregoing, for so long as each Offshore Permitted Liens remains outstanding, the Offshore Pledged Entity whose capital stock is subject to such Lien shall remain a Subsidiary Guarantor and the Subsidiary Guarantee of such entity may not be released.

Any designation of an Offshore Non-Guarantor Subsidiary will be evidenced to the Trustee by delivering to the Trustee an Officers' Certificate certifying that such designation complied with the preceding conditions and attaching a resolution of the Board of Directors giving effect to such designation.

Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor." All of the Restricted Subsidiaries that are not Subsidiary Guarantors, including the PRC Non-Guarantor Subsidiaries, the Exempted Subsidiaries and the Offshore Non-Guarantor Subsidiaries are collectively referred to as the "Non-Guarantor Subsidiaries."

None of the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee at any time in the future. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2016,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total indebtedness of approximately RMB10,981.6 million (US$1,652.4 million), of which RMB8,633.7 million (US$1,297.3 million) was secured; and

- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB11,983.7 million (US$1,803.2 million).

In addition, as of June 30, 2016, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB927.1 million (US$139.5 million) and no contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to the secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees – The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor as an Offshore Non-Guarantor Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantor that becomes a Non-Guarantor Subsidiary or an Unrestricted Subsidiary, in compliance with the terms of the Indenture; or
- in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under "– Amendments and Waivers."

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under the "– Limitation on Indebtedness" covenant described below.

Optional Redemption

At any time prior to the maturity of the Notes, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will have any responsibility or liability for calculating or verifying the Applicable Premium.

At any time and from time to time prior to maturity of the Notes, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or any applicable requirements of the clearing systems through which the Notes are held; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate unless otherwise required by law.

No Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repayment or repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's or the Subsidiary Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes and the Subsidiary Guarantees – We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under ''– Consolidation, Merger and Sale of Assets'') or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a ''Relevant Taxing Jurisdiction'') or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the ''Relevant Jurisdictions''), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, the Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (''Additional Amounts'') as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor, addressed to the Holder, to provide any information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the laws of the Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere;

(d) any tax, assessment, withholding or deduction required by section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future U.S. Treasury regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or published in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner, in each case who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Company will (i) make any such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company will furnish to the Holders and the Trustee, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments reasonably obtainable by the Company.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is enacted or issued and becomes effective, or an official position is announced (i) with respect to the Company or any Subsidiary Guarantor that is not a Future Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Surviving Person or Future Subsidiary Guarantor, on or after the date such Surviving Person or Future Subsidiary Guarantor becomes a Surviving Person or Subsidiary Guarantor, with respect to any payment due or to become due under the Notes, the Subsidiary Guarantee or the Indenture, the Company, Surviving Person or Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the Surviving Person, or the Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, Surviving Person or Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in this section entitled "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, Surviving Person or Subsidiary Guarantor, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in this section entitled "Redemption for Taxation Reasons."

The Trustee is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that, the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.5 to 1.0 with respect to any Incurrence of Indebtedness.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

(b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c) below; *provided* that, such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded from the definition of Permitted Subsidiary Indebtedness by the terms thereof);

(c) Indebtedness of the Company or any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that, (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and neither the Company nor any other Subsidiary Guarantor is the obligee), such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(d) Indebtedness ("Permitted Refinancing Indebtedness") of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the proviso in paragraph (1) above or clauses (a), (b), (f), (k), (m), (n) or (p) of paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(e) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) any Pari Passu Guarantee;

(g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument, drawn against insufficient funds in the ordinary course of business; *provided,* that, this Indebtedness is extinguished within five Business Days;

(h) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, regulation or rule, or in connection with self-insurance or bid, performance or surely bonds or similar requirements, in each case in the ordinary course of business;

(i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, or from Guarantees or surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees by the Company or any Restricted Subsidiary of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided,* that, the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

(j) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees, cash management arrangement, and similar instruments and reimbursement or indemnification obligations with respect to letters of credit, bankers' acceptances or similar instruments provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds, guarantees or instruments are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond, guarantee or instrument;

(k) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business:

  (i) representing Capitalized Lease Obligations; or

  (ii) constituting purchase money Indebtedness incurred to finance all or any part of the purchase price of equipment, real or personal property or assets of the Company or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary), or the cost of development, construction or improvement, of equipment, real or personal property or assets to be used in the ordinary course of business by the Company or a Restricted Subsidiary;

provided, that, (A) such purchase money Indebtedness shall not exceed the purchase price or cost of such equipment, property or assets so acquired, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets or the completion of such development, construction or improvement, and (C) on the date of the Incurrence of any Indebtedness Incurred pursuant to this clause, and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (k) (together with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clause, to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (m) and (o) below (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses, to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(l) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company any other Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(m) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less for working capital; *provided* that the aggregate principal amount of Indebtedness Incurred pursuant to this clause (m) at any time outstanding (together with any refinancings thereof) does not exceed the greater of US$20 million (or the Dollar Equivalent thereof) and 10% of Total Assets; *provided*, that, on the date of the Incurrence of any Indebtedness Incurred pursuant to this clause, and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (m) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (k) above and clause (o) below (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses, to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(n) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US$10 million (or the Dollar Equivalent thereof);

(o) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries; *provided* that, on the date of the Incurrence of any Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (o) (together with any refinancings thereof) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (k) and (m) above (together, in each case, with any refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses, to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

(p) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement; and

(q) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed the amount of Excluded Contributions made since the Original Issue Date.

(3) For purposes of determining compliance with this "– Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "– Limitation on Indebtedness"; or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Notes are issued and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; *provided* that this clause (c)(ii) shall not include proceeds from Excluded Contributions; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries

as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person or (E) any Person becoming a Restricted Subsidiary but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus

(v) US$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock), other than proceeds from Excluded Contributions; *provided* that, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock), other than proceeds from Excluded Contributions; *provided* that, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that, any such cash payment shall not be for the purpose of evading the limitation of this "– Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(7) the declaration and payment of dividends by the Company with respect to any financial year up to an aggregate amount not to exceed 5% of the Company's consolidated profit for the year in such financial year;

(8) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$3.0 million (or the Dollar Equivalent thereof) in any calendar year; or

(9) the purchase by the Company or a Restricted Subsidiary of Capital Stock of (i) Guodian Kezuohouqi Photovoltaics Company Limited, directly or indirectly, by the Company from Jiangsu Yongneng New Energy Investment Limited pursuant to a call option entered into among the Company or any Restricted Subsidiary and Huabei Expressway Co., Ltd., Jiangsu Yongneng New Energy Investment Limited and (ii) Fengxian Huize Photovoltaic Energy Limited, directly or indirectly, by the Company from Huabei Expressway Co. Ltd pursuant to an put option entered into between/among the Company or any Restricted Subsidiary and Huabei Expressway Co. Ltd, *provided* that, with respect to the transaction described in subclause (i), the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock (without taking the price paid for the underlying options into account) is less than or equal to the Fair Market Value of such Capital Stock; *provided further* that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (9) does not exceed an amount equal to US$65 million.

provided that, in the case of clauses (2), (3) and (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clauses (1) and (7) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "– Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (5) through (9) of the second paragraph of this "– Limitation on Restricted Payments" covenant) in excess of US$10 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture or under any Pari Passu Guarantee, or any Indebtedness Guaranteed by any such Pari Passu Guarantee, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of

the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness" and "– Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under the "– Limitation on Indebtedness" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or any Subsidiary Guarantor to make required payment on the Notes or its Subsidiary Guarantee, as the case may be, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that, the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant to the extent required thereunder; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "– Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that, the Company complies with the "– Limitation on Asset Sales" covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture, providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clause 2(b), (c) or (o) (in the case of clause (2)(o), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the creation of any Liens over one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness) under the "– Limitation on Indebtedness" covenant.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$15 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or such Restricted Subsidiary;

(2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described above under "– Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, so long as each such purchase is in compliance with the listing rules of the Hong Kong Stock Exchange; and

(7) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (8) of the second paragraph of the covenant entitled "–Limitation on Restricted Payments, so long as each such repurchase, redemption or other acquisition or retirement for value is in compliance with the listing rules of the Hong Kong Stock Exchange.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "– Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (iii) any transaction between or among (A) the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) the Company or a Restricted Subsidiary on the one hand and any Jointly Controlled Entity or Associate or Unrestricted

Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the other shareholders or other partners of or in such Restricted Subsidiary, Jointly Controlled Entity or Associate, as the case may be, is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary, Jointly Controlled Entity or Associate, as the case may be).

Limitation on Liens

(1) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

(2) In the event that one or more Liens, pledge, collateral or security arrangements (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated by clause (1) above) with regard to Indebtedness proposed to be or previously Incurred by the Company or its Subsidiary Guarantors in compliance with the provisions of the "–Limitation of Indebtedness" covenant and other provisions of the Indenture, the Company may instruct the Trustee to directly, or through affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holder (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this clause (2) among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements; *provided that* the Trustee shall be entitled to (a) require indemnification provisions from the Company and (b) receive an Opinion of Counsel and an Officers' Certificate confirming that such proposed collateral or security arrangements (and related intercreditor arrangements, if any) are being established and maintained in compliance with this clause (2).

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "–Limitation on Indebtedness" and (b) incurred a Lien to secure such Attributable Indebtedness pursuant to the covenant described above under "– Limitation on Liens," in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under "–Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

(4) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply such Net Cash Proceeds to:

(a) permanently repay Indebtedness of the Company or any Restricted Subsidiary that is not Subordinated Indebtedness (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(b) acquire properties and assets (other than current assets), including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business, that will be used in the Permitted Businesses ("Replacement Assets");

provided that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

(5) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (5) will constitute "Excess Proceeds." Excess Proceeds of less than US$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(a) accumulated Excess Proceeds, multiplied by

(b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a *pro rata* basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited under the "– Limitation on Restricted Payments" covenant.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (1) as specified under "Use of Proceeds" in this Offering Memorandum (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "– Limitation on Indebtedness" or such Lien would violate the covenant described under "– Limitation on Liens"; (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4)

such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "– Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "– Limitation on Indebtedness"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "– Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary will upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the Indenture or the relevant Subsidiary Guarantee.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Subsidiary Guarantees on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Maintenance of Insurance

The Company will, and will cause its Restricted Subsidiaries to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses, including, without limitation, property and casualty insurance.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "– Certain Covenants – Limitation on Indebtedness";

(2) "– Certain Covenants – Limitation on Restricted Payments";

(3) "– Certain Covenants – Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "– Certain Covenants – Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "– Certain Covenants – Limitation on Transactions with Shareholders and Affiliates";

(7) "– Certain Covenants – Limitation on Business Activities";

(8) "– Certain Covenants – Limitation on Sale and Leaseback Transactions";

(9) "– Certain Covenants – Limitation on Asset Sales"; and

(10) Clause (4) under the first and second paragraphs of the covenant described under "–Consolidation, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "– Certain Covenants – Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's Common Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any Note remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "– Consolidation, Merger and Sale of Assets" or the failure by the Company to make or consummate an Offer to Purchase in the manner described under "– Repurchase of Notes upon a Change of Control Triggering Event" or "– Certain Covenants – Limitation on Asset Sales" or "– Certain Covenants –Limitation on Liens;"

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$10 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to pay principal of, or interest or premium on, such Indebtedness when the same becomes due after giving effect to any grace period for such payment;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$10 million (or the Dollar Equivalent thereof) (in excess of amounts which the insurance carriers of the Company or such Restricted Subsidiary have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Subsidiary, (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall (subject to receipt of indemnity and/or security to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity and/or security pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries performance under the Indenture and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "– Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, the British Virgin Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "– Certain Covenants – Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "– Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture, confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "– Certain Covenants – Limitation on Indebtedness";

(5) the Company shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that is permitted under the "– Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "– The Subsidiary Guarantees – Release of the Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, or a sale, transfer, conveyance or lease of any properties and assets by any Subsidiary Guarantor to the Company or any other Subsidiary Guarantor, so long as the Company or any Subsidiary Guarantor survives such consolidation, merger, sale, transfer, conveyance or lease.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes and each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3) and (4) under the first and second paragraphs under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under "– Certain Covenants – Government Approvals and Licenses; Compliance with Law" and "– Certain Covenants – Anti-Layering," and (ii) clause (3) under "Events of Default" with respect to such clauses (3) and (4) under the first and second paragraphs under "– Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (i) above, clause (4) under "– Events of Default" with respect to such other covenants in clause (i) above and clauses (5), (6), (7) and (8) under "– Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes and the Subsidiary Guarantees may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or the Subsidiary Guarantees;

(2) to comply with the provisions described under "– Consolidation, Merger and Sale of Assets";

(3) to evidence and provide for the acceptance of appointment by a successor Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) to effect any change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or other relevant clearing system;

(6) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to add any collateral to secure the Notes or the Subsidiary Guarantee or to enter into any intercreditor agreement or amendments or supplements thereto;

(9) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees; or

(10) to make any other change that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes or the Subsidiary Guarantees may be made by the Company, the applicable Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company and any Subsidiary Guarantor with any provision of the Indenture, the Notes or the Subsidiary Guarantees; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;

(9) amend, change or modify any Subsidiary Guarantee or the Indenture in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "– Limitation on Asset Sales";

(11) change the redemption date or the redemption price of the Notes from that stated under "– Optional Redemption" or "– Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture, and Citibank, N.A., London Branch has been appointed as registrar (the "Registrar"), paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent", together with the Registrar and the Paying Agent, the "Agents") with regard to the Notes under the Indenture. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations will be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "– Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as described under "– Additional Amounts."

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-Entry Interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "– Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Unit 12, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong; and (if intended for the Trustee) addressed to the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 25, 2020 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the

Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, an Affiliate of the Company or China Merchants Group Limited shall not include any direct or indirect holding entity of China Merchants Group Limited or Persons controlled by or under common control with such direct or indirect holding entity of China Merchants Group Limited (other than China Merchants Group Limited).

"Applicable Premium" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes at the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that, "Asset Sale" shall not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "– Certain Covenants – Limitation on Restricted Payments";

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant described under "– Consolidation, Merger and Sale of Assets"; and

(7) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary.

"Associate" means any corporation, association or other business entity primarily engaged in a Permitted Business which is treated as an "associate" in accordance with GAAP, and such Associate's Subsidiaries.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person (other than one or more Permitted Holders);

(2) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(3) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement designed to reduce or manage the exposure to fluctuations in commodity prices, which may consist of one or more of the foregoing agreements.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to January 25, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to January 25, 2020.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is available, Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial

statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile on a timely basis and which may be internal consolidated financial statements) are available.

"Consolidated EBITDA" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of the Restricted Subsidiaries; and (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Restricted Subsidiaries held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries, and (7) any capitalized interest; *provided* that, interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any Person (the "Subject Person") for any period, the aggregate of the net income (or loss) of such Person attributable to the shareholders of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

    (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of equipment, real or personal property or asset to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Currency Hedging Agreement" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, currency option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "– Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under "– Certain Covenants – Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control Triggering Event."

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings; *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Company other than to Affiliates of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Company at the same price as the public offering or private placing price and other than any such public offering or private placement that constitutes an Excluded Contribution; *provided* that the aggregate gross cash proceeds received by the Company as a

result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Company or any of its Subsidiaries) shall be no less than US$20 million (or the Dollar Equivalent thereof).

"Excluded Contribution" means the Net Cash Proceeds received by the Company from (a) contributions to its equity capital and (b) the sale (other than to a Subsidiary of the Company or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of the Company) of Capital Stock (other than Disqualified Stock) of the Company, in each case designated as Excluded Contributions pursuant to an Officers' Certificate of the Company on the date such capital contributions are made or the date such Capital Stock is sold, as the case may be, which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under the caption "- Certain Covenants – Limitation on Restricted Payments."

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law, regulation or rule to provide a Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Euroclear" means Euroclear Bank SA/NV, as operator of the Euroclear System.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means Hong Kong Financial Reporting Standards or other generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Disqualified Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including without limitation equipment, land use rights, buildings and intangible assets) to be used in a Permitted Business or any Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company and its Restricted Subsidiaries (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet as borrowings or indebtedness will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph 2(e) under the "– Limitation on Indebtedness" covenant or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

"Interest Rate Hedging Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement designed to reduce or manage the exposure to fluctuations in interest rates, which may consist of one or more of any of the foregoing agreements.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries" and "– Certain Covenants – Limitation on Restricted Payments": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; (2) if the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person held by the Company (directly or indirectly) immediately after such sale or disposition by the Company of a Person that holds an Investment; and (3) any property transferred to or from any Person will be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's or both, as the case may be.

"Jointly Controlled Entity" means any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20% of the voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary and which is treated as a "jointly controlled entity" or "joint venture" in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers' Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the

events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"Officers' Certificate" means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

"Offshore Permitted Liens" means each of the Liens in the form of pledges of the capital stock of the Offshore Pledged Entities existing on the Original Issue Date securing the Company's US$100,000,000 6.75% Convertible Bonds due December 28, 2018 and US$50,000,000 6.5% Convertible Bonds due August 26, 2019, respectively, being the only Liens on non-PRC assets of the Company and its subsidiaries in existence on the Original Issue Date.

"Offshore Pledged Entities" means Premier Yield Holding Limited and Driven Green Holdings Limited.

"Opinion of Counsel" means a written opinion from external legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor, as the case may be; *provided* that (1) the Company and such Subsidiary Guarantor were otherwise permitted to Incur such Indebtedness by the "– Limitation on Indebtedness" covenant and (2) such Guarantee ranks *pari passu* with the Notes or any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

"Permitted Businesses" means any business which is the same as or ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) China Merchants New Energy Group Limited or any other parties acting in concert, as defined in the Hong Kong Code on Takeovers and Mergers and Share Buy-Backs, with China Merchants New Energy Group Limited, for so long as China Merchants New Energy Group Limited remains a Subsidiary of China Merchants Group Limited;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale under clause 3(b) of, and made in compliance with, the covenant described under "– Certain Covenants – Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens";

(10) loans or advances to vendors, contractors, suppliers or distributors, including without limitation advance payments for equipment and machinery made to the manufacturer or distributor thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(11) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(12) other Investments having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed an amount equal to 12.5% of Total Assets;

(13) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims, welfare and social benefits, property maintenance and other purposes specified by statutes, regulations or rules from time to time in the ordinary course of business;

(15) payments made pursuant to any Staged Acquisition Agreement;

(16) deposits or prepayments made in order to secure the performance of the Company or any Restricted Subsidiaries and prepayments made in connection with (i) the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock and intangible assets) by the Company or any Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), (ii) relocation or resettlement of plants or facilities or (iii) government grants or subsidies or tariff adjustments, in each case in the ordinary course of a Permitted Business; and

(17) Investments in existence on the Original Issue Date.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds, warranty, product liability and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Company or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens (i) securing reimbursement obligations with respect to letters of credit, bankers' acceptances, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof, or (ii) in favor of any bank or financial institution having a right of setoff, revocation, refund, chargeback or similar rights or remedies with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank or financial institution;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to refinance Secured Indebtedness which is permitted to be Incurred under clause (2)(d) of the covenant described under "– Certain Covenants – Limitation on Indebtedness," *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced; *further provided* that any such Indebtedness which is Incurred to refinance Indebtedness secured by an Offshore Permitted Lien may not be secured by any Offshore Permitted Lien;

(11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(e) of the covenant described under "– Certain Covenants – Limitation on Indebtedness," *provided* that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under "– Certain Covenants – Limitation on Liens" to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

(12) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;

(13) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under the Indenture; *provided, however*, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;

(14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(15) any interest or title of a lessor in the property subject to any operating lease or Capitalized Lease;

(16) Liens on deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims, welfare and social benefits and other purposes specified by statutes, regulations or rules made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(17) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course of business;

(18) Liens securing Indebtedness of the type described under clause (2)(k) of the covenant described under "– Certain Covenants – Limitation on Indebtedness"; *provided* that such Lien (i) covers only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created prior to, at the same time of or within 180 days after the latest of (A) the completion of such acquisition, (B) the completion of development, construction or improvement of such equipment, property or asset and (C) the due date of the respective payments in connection with such acquisition, development, construction or improvement; *provided* further that, in the case of clause (i) such Lien may cover other property or assets (instead of or in addition to such item of equipment, property or asset) if the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(19) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness of the type described under clause 2(o) of the covenant described under "–Certain Covenants–Limitation on Indebtedness;"

(20) Liens on current assets securing Indebtedness permitted to be incurred under clause 2(m) of the covenant described under "–Certain Covenants–Limitation on Indebtedness;"

(21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under "–Certain Covenants–Limitation on Indebtedness";

(23) Liens arising solely by virtue of any statutory or common law provisions relating to bankers' Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(24) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business; or

(25) Liens incurred or deposits made to secure Entrusted Loans.

"Permitted Subsidiary Indebtedness" means Indebtedness of, and any Preferred Stock issued by, any Non-Guarantor Subsidiary; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and all Preferred Stock issued by the Restricted Subsidiaries (excluding any Indebtedness of any Restricted Subsidiary permitted under clause (2)(c) or (e) of the covenant described under "– Certain Covenants – Limitation on Indebtedness") does not exceed an amount equal to 20% of Total Assets (or the Dollar Equivalent thereof).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding the Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws and regulations may be amended from time to time.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Rating Agencies" means (1) S&P and (2) Moody's and if S&P or Moody's, or both shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P and "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption "–Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "– Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both of the Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., and its successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Indebtedness" means any Indebtedness of the Company or a Restricted Subsidiary secured by a Lien.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Significant Subsidiary" means any Restricted Subsidiary or any group of Restricted Subsidiaries that, taken together, would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5 percent.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant..

"Subsidiary Guarantee" means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means the initial Subsidiary Guarantors named herein and any other Restricted Subsidiary that Guarantees the obligations of the Issuer under the Indenture and the Notes; *provided* that "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, Hong Kong, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, Hong Kong, the PRC or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, Hong Kong, any state of the European Economic Area, or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit overnight or call deposits and money market deposits with (i) any banks or financial institutions organized under the laws of the PRC or Hong Kong, (ii) any banks or financial institutions that are (A) organized or licensed in a jurisdiction where the principal place of business of a Restricted Subsidiary is located or to which the Company or a Restricted Subsidiary sells its products or services, (B) not included on the Specially Designated Nationals and Blocked Persons maintained and frequently updated by Office of Foreign Assets Control of the U.S. Department of the Treasury and (C) approved in accordance with the corporate governance rules of the Company, or (iii) any other bank or other financial institutions; *provided* that, in the case of clause (iii), such deposits do not exceed US$10 million (or the Dollar Equivalent thereof) with any single bank or US$30 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements), *provided* that:

(1) only with respect to clause (2)(k)(ii) of the "Certain Covenants – Limitation on Indebtedness" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the purchase of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; and

(2) only with respect to any Person becoming a New Offshore Non-Guarantor Restricted Subsidiary, *pro forma* effect shall at such time be given to the consolidated assets of such New Offshore Non-Guarantor Subsidiary (including giving *pro forma* effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Offshore Non-Guarantor Restricted Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors (including without limitation contractors and suppliers) created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer

thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Restricted Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Bermuda, BVI, Hong Kong and PRC tax consequences relating to the Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BERMUDA

Tax

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by holders of its securities who are resident outside Bermuda. The Company has obtained an assurance under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to the Company or any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to person ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by it in Bermuda.

Stamp Duty

The Company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies).

BVI

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arise through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of PRC tax laws to their particular circumstances as well as the tax consequences of the purchase, ownership and disposition of Notes arising under the laws of any other taxing jurisdiction.

Taxation on Interest

The EIT Law and its implementation rules effective January 1, 2008, impose a withholding tax at the rate of 10% on interest from PRC sources paid to holders of Notes that are ''non-resident enterprises'' so long as any such ''non-resident enterprise'' holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, unless a preferential rate is provided by tax treaties or arrangements between the country or region where the non-resident is domiciled and the PRC. We may be considered a PRC tax resident enterprise. Although the issue is not entirely clear, if we are considered a PRC resident enterprise, interest payable to non-resident holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, or PRC individual withholding tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws and their implementation rules. However, the tax obligations under PRC tax laws and their implementation rules may be decreased or exempted by applicable tax treaties. We currently do not intend to withhold taxes from interest payments, but there can be no assurance that the PRC income tax authorities will accept our position on this issue. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law and its implementation rules impose a tax at the rate of 10% on capital gains from PRC sources realized by holders of notes that are ''non-resident enterprises'' if any such ''non-resident enterprise'' holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise. Although the issue is not entirely clear, if we are considered a PRC resident enterprise, the capital gains realized by non-resident holders of the Notes may be treated as income

derived from sources within China and be subject to PRC income tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, unless reduced or exempted by an applicable tax treaty, or PRC individual income tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws and their implementation rules, which may be reduced or exempted by an applicable tax treaty. However, the tax obligations under PRC tax laws and their implementation rules may be decreased or exempted by applicable tax treaties.

VAT

On March 23, 2016 the MOF and the SAT issued the Circular of Taxation on Full Launch of the Pilot Scheme on Levying Value-Added Tax in Place of Business Tax (《關於全面推開營業税改征增值税試點的通知》)("**Circular 36**") which stipulates that the business tax will be completely replaced with VAT from May 1, 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT.

Circular 36 has recently been issued and much uncertainty remains as to its application. The following statements regarding Circular 36 may be subject to further changes following clarification from the competent tax authority.

While still subject to the competent tax authority's further clarification or interpretation, when a holder of the Notes is an entity located outside of the PRC, and such holder resells the Notes to an individual or entity located outside of the PRC and derives a gain on such sale, neither the service provider nor the service recipient, both being located outside the PRC, are likely to be impacted by Circular 36. Further, when a holder of the Notes, who is an individual, resells the Notes, VAT may be exempted pursuant to Circular 36 if the resale of the Notes is treated as resale of financial products. However, where an entity is a holder of the Notes and resells the Notes, to either an entity or an individual, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

Stamp duty

No PRC stamp duty will be imposed on non-resident holders of the Notes either upon the issuance or the transfer of a Note so long as the register of holders of the Notes is maintained outside China and the sale of the Notes is made outside the PRC.

PLAN OF DISTRIBUTION

Merrill Lynch International and Morgan Stanley & Co. International plc are acting as joint global coordinators, joint bookrunners and joint lead managers and Nomura International (Hong Kong) Limited, China Merchants Securities (HK) Co., Ltd. and CLSA Limited are acting as the joint bookrunners and joint lead managers of the offering. Subject to the terms and conditions set forth in a purchase agreement among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of Notes
Merrill Lynch International	US$109,500,000
Morgan Stanley & Co. International plc	US$109,500,000
Nomura International (Hong Kong) Limited	US$3,000,000
China Merchants Securities (HK) Co., Ltd.	US$3,000,000
CLSA Limited	US$25,000,000
Total	US$250,000,000

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes if any of these Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes.

Commissions and Discounts

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell Notes through certain of their affiliates. We have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws of the United States. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Regulation S. See "Transfer Restrictions." The Initial Purchasers will not offer or sell the Notes except to persons outside of the United States in offshore transactions that occur outside of the United States within the meaning of Regulation S. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. We have been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so

and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about January 25, 2017, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "**T+5**"). As trades in certain secondary markets generally settle in three business days, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We and the Subsidiary Guarantors have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Stabilization and Short Positions

In connection with the offering of the Notes, Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International (Hong Kong) Limited, China Merchants Securities (HK) Co., Ltd. and CLSA Limited or any of their respective affiliates, may engage in over-allotment, stabilizing transactions and syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. Over-allotment involves sales in excess of the offering size, which creates a short position. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these

transactions. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes, in any jurisdiction where action for any such purpose may be required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Subsidiary Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Furthermore, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer whether or not participating in this offering may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area, no offer of notes which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Representatives for any such offer; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to in (a) to (c) above shall result in a requirement for the Company or any Representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Company or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Company or the Representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression "an offer of notes to the public" in relation to any notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure each Member State.

United Kingdom

Each of the Initial Purchasers (a) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (b) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) ("**CO**"), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**") and any rules made thereunder or (iii) in other circumstances which do not result in this offering memorandum being a "prospectus" within the meaning of the CO and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "**FIEL**"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the

FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(i) an institutional investor (as defined in Section 4A of the SFA);

(ii) a relevant person (as defined in Section 275(2) of the SFA); or

(iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of the Singapore (the "**SFR**").

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the SFR.

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to legal and regulatory requirements of the PRC, the Notes may, subject to the laws and regulations of the regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer outside the British Virgin Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

Bermuda

No offer or invitation may be made to the public in Bermuda to subscribe for the Notes and none of the Initial Purchasers has offered or sold, or will offer or sell, any Notes in Bermuda.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5. You acknowledge that each Note will contain a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE RE-OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchaser. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

7. You also acknowledge that this offering memorandum has not been registered as a prospectus with the MAS. Accordingly, you have represented, warranted and agreed that you have not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

RATINGS

The Notes are expected to be rated "B1" by Moody's and "B+" by S&P. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a corporate family rating of Ba3 with a stable outlook by Moody's and a long-term foreign currency issuer default rating of B+ with a stable outlook by S&P. We cannot assure you that the ratings on the Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law, Conyers Dill & Pearman as to matters of Bermuda law and as to matters of BVI law and JunHe LLP as to matters of PRC Law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and Haiwen & Partners as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the year ended December 31, 2015 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing herein. The unaudited condensed consolidated interim financial information for and as of the six months ended June 30, 2016 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, 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 Hong Kong Institute of Certified Public Accountants.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in Bermuda, the BVI and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated October 28, 2016.

LITIGATION

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2016 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected by holders of the Notes upon satisfactory proof of holding free of charge during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any Business Day (except public holidays) at the corporate trust office of the Trustee.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
The Notes	XS1512652600	151265260

LISTING OF THE NOTES

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Notes or us. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a Paying Agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The independent auditor's report on the Company's consolidated financial statements and the independent auditor's review report on the Company's condensed consolidated interim financial information set out herein are reproduced from the Company's annual report for the year ended December 31, 2015 and the Company's interim report for the six months ended June 30, 2016.

Page references set forth below refer to pages as set out in the aforementioned annual report and interim report.

Page

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2016

Report on Review of Condensed Consolidated Interim Financial Information[(1)] F-2
Interim Condensed Consolidated Statement of Profit or Loss F-4
Interim Condensed Consolidated Statement of Comprehensive Income F-5
Interim Condensed Consolidated Statement of Financial Position F-6
Interim Condensed Consolidated Statement of Changes in Equity F-8
Interim Condensed Consolidated Statement of Cash Flows F-9
Notes to the Unaudited Condensed Consolidated Interim Financial Information F-10

REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Independent Auditor's Report[(1)] F-30
Consolidated Statement of Profit or Loss F-32
Consolidated Statement of Comprehensive Income F-34
Consolidated Statement of Financial Position F-35
Consolidated Statement of Changes in Equity F-37
Consolidated Statement of Cash Flows F-39
Notes to the Consolidated Financial Statements F-41

Note:

(1) The independent auditor's report on the Company's consolidated financial statements and the independent auditor's review report on the Company's condensed consolidated interim financial information set out herein are reproduced from the Company's annual report for the year ended December 31, 2015 and the Company's interim report for the six months ended June 30, 2016. Page references in the abovenamed reports refer to pages set out in such annual report and interim report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF UNITED PHOTOVOLTAICS GROUP LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 3 to 28, which comprises the interim condensed consolidated statement of financial position of United Photovoltaics Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated interim 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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

Emphasis of matter

We draw your attention to Note 2.1 of the condensed consolidated interim financial information, which states that the Group's current liabilities exceeded its current assets by RMB736 million as at 30 June 2016, and that Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. These matters described in Note 2.1 to the condensed consolidated interim financial information indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 October 2016

UNITED PHOTOVOLTAICS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Sales of electricity		119,960	77,576
Tariff adjustment		332,472	205,610
		452,432	283,186
Other income	4	27,075	250
Employee benefits expenses		(50,067)	(33,936)
Foreign exchange difference		419	9,787
Legal and professional fees		(3,128)	(3,878)
Outsourcing maintenance costs		(17,014)	(27,666)
Rent and rates		(4,442)	(2,239)
Travelling		(6,416)	(2,346)
Water and electricity		(3,121)	(573)
Other expenses		(19,352)	(10,227)
EBITDA#		376,386	212,358
Acquisition costs arising from business combinations	18	(7)	(1,085)
Depreciation of property, plant and equipment		(166,544)	(107,048)
Bargain purchase arising from:			
(i) Business combinations; and	18	4,167	11,824
(ii) Acquisition of an associate		-	6,787
Fair value (losses)/gains on financial assets at fair value through profit or loss relating to:			
(i) Call option issued relating to the acquisition of an associate ("Call Option");		(9,708)	142,244
(ii) Guaranteed electricity output; and	11	305,680	212,809
(iii) Unlisted investment	11	106,709	-
Fair value gains/(losses) on financial liabilities at fair value through profit or loss relating to:			
(i) Contingent consideration payables; and		36,665	(57,637)
(ii) Put option issued relating to the acquisition of an associate ("Put Option")		21,262	(11,813)
Finance income	5	67,132	118,537
Finance costs	6	(493,234)	(269,462)
Share of profits/(losses) of associates		9,030	(3,161)
Profit before income tax		257,538	254,353
Income tax expenses	7	-	-
Profit for the period		257,538	254,353
Profit attributable to:			
- Shareholders of the Company		248,951	242,914
- Non-controlling interests		8,587	11,439
		257,538	254,353
Earnings per share attributable to shareholders of the Company			
- Basic (RMB cents)	9	5.22	5.60
- Diluted (RMB cents)	9	3.73	3.60

The notes on pages 10 to 28 form an integral part of this condensed consolidated interim financial information.

UNITED PHOTOVOLTAICS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Profit for the period		257,538	254,353
Other comprehensive income/(loss) for the period:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of financial statements of subsidiaries and associates		18,769	(1,755)
Other comprehensive income/(loss) for the period, net of tax		18,769	(1,755)
Total comprehensive income for the period		276,307	252,598
Total comprehensive income for the period attributable to:			
- Shareholders of the Company		267,720	241,159
- Non-controlling interests		8,587	11,439
		276,307	252,598

EBITDA represents earnings before finance income, finance costs, taxation, depreciation and fair value gains/(losses), which also excludes acquisition costs arising from business combinations and share of profits of associates. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective.

The notes on pages 10 to 28 form an integral part of this condensed consolidated interim financial information.

UNITED PHOTOVOLTAICS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights		435	440
Property, plant and equipment		8,414,254	7,419,750
Intangible assets		918,097	949,781
Investments in associates		281,484	305,040
Other receivables, deposits and prepayments	10	832,607	741,123
Financial assets at fair value through profit or loss	11	111,182	120,890
		10,558,059	9,537,024
Current assets			
Inventories		1,314	1,314
Other receivables, deposits and prepayments	10	756,290	1,049,308
Financial assets at fair value through profit or loss	11	429,380	-
Trade, bills and tariff adjustment receivables	12	1,445,469	1,228,359
Restricted cash		19,539	206,150
Cash and cash equivalents		889,148	947,154
		3,541,140	3,432,285
Total assets		14,099,199	12,969,309
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	393,086	385,804
Reserves		2,094,757	1,739,519
		2,487,843	2,125,323
Non-controlling interests		145,338	104,631
Total equity		2,633,181	2,229,954
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	4,434,553	4,305,778
Convertible bonds	15	2,465,749	1,986,936
Contingent consideration payables	15	-	580,691
Cash-settled share-based payment		-	23,570
Deferred government grant		2,210	4,210
Deferred tax liabilities		286,152	281,532
		7,188,664	7,182,717

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Current liabilities			
Trade payables		-	89,638
Other payables and accruals		1,572,921	1,817,894
Bank and other borrowings	14	1,694,900	703,821
Convertible bonds	15	1,009,533	924,023
Other financial liability at fair value through profit or loss		-	21,262
		4,277,354	3,556,638
Total liabilities		11,466,018	10,739,355
Total equity and liabilities		14,099,199	12,969,309

The notes on pages 10 to 28 form an integral part of this condensed consolidated interim financial information.

UNITED PHOTOVOLTAICS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited										
	Attributable to shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under equity incentive scheme ("EIS") RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	385,804	4,511,460	118,792	(53,890)	221,993	(157,561)	(6,664)	(2,894,611)	2,125,323	104,631	2,229,954
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	248,951	248,951	8,587	257,538
Other comprehensive income	-	-	-	-	-	18,769	-	-	18,769	-	18,769
Total comprehensive income for the period ended 30 June 2016	-	-	-	-	-	18,769	-	248,951	267,720	8,587	276,307
Issue of shares upon conversion of convertible bonds (Note 13)	7,282	44,087	23,002	(19,535)	(2,182)	-	-	-	52,654	-	52,654
Reclassification from contingent consideration payables to convertible bonds (Note 15)	-	-	-	-	36,726	-	-	-	36,726	-	36,726
Non-controlling interests arising from business combinations (Note 18)	-	-	-	-	-	-	-	-	-	32,120	32,120
Share-based payments	-	-	5,420	-	-	-	-	-	5,420	-	5,420
Total transactions with shareholders, recognised directly in equity	7,282	44,087	28,422	(19,535)	34,544	-	-	-	94,800	32,120	126,920
Balance at 30 June 2016	393,086	4,555,547	147,214	(73,425)	256,537	(138,792)	(6,664)	(2,645,660)	2,487,843	145,338	2,633,181

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Unaudited									
	Attributable to shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under EIS RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	354,915	4,235,731	99,754	(53,890)	108,313	(50,041)	(3,255,281)	1,439,501	44,249	1,483,750
Comprehensive income										
Profit for the period	-	-	-	-	-	-	242,914	242,914	11,439	254,353
Other comprehensive loss	-	-	-	-	-	(1,755)	-	(1,755)	-	(1,755)
Total comprehensive income for the period ended 30 June 2015	-	-	-	-	-	(1,755)	242,914	241,159	11,439	252,598
Issue of shares through placement	30,041	269,962	-	-	-	-	-	300,003	-	300,003
Issue of convertible bonds	-	-	-	-	113,680	-	-	113,680	-	113,680
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	-	73,317	73,317
Share-based payments	-	-	13,500	-	-	-	-	13,500	-	13,500
Total transactions with shareholders, recognised directly in equity	30,041	269,962	13,500	-	113,680	-	-	427,183	73,317	500,500
Balance at 30 June 2015	384,956	4,505,693	113,254	(53,890)	221,993	(51,796)	(3,012,367)	2,107,843	129,005	2,236,848

The notes on pages 10 to 28 form an integral part of this condensed consolidated interim financial information.

UNITED PHOTOVOLTAICS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Net cash generated from operating activities	16	8,444	32,114
Cash flow from investing activities			
Acquisition of an associate		-	(3,747)
Acquisitions of subsidiaries, net of cash acquired	18	(11,796)	(144,746)
Deposits paid for investments		(115,000)	(621,733)
Deposits refund for investments		423,872	-
Interest received		4,062	855
Prepayment for purchase of plant and equipment		-	(15,809)
Purchase of property, plant and equipment		(808,687)	(13,514)
Repayment of construction costs payable		(539,580)	(472,242)
Net cash used in investing activities		(1,047,129)	(1,270,936)
Cash flow from financing activities			
Interest paid		(281,483)	(100,300)
Decrease in pledged bank deposits		-	61,000
Decrease/(increase) in restricted cash		186,440	(330,000)
Decrease/(increase) in pledged guarantee deposits		300	(64,000)
Net proceeds from issuance of convertible bonds		-	1,288,430
Net proceeds from bank borrowings		810,307	480,000
Repayment of bank borrowings		(465,318)	(31,500)
Net proceeds from loans from leasing companies		725,257	590,371
Repayment of loans from leasing companies		(15,653)	(10,368)
Net proceeds from issue of medium-term notes		32,322	-
Net proceeds from placing of new shares		-	300,003
Repayment of loan from a third party		-	(10,000)
Net cash generated from financing activities		992,172	2,173,636
Net (decrease)/increase in cash and cash equivalents		(46,513)	934,814
Cash and cash equivalents at beginning of period		947,154	212,672
Effect of foreign exchange rate changes		(11,493)	(3,259)
Cash and cash equivalents at end of period		889,148	1,144,227

The notes on pages 10 to 28 form an integral part of this condensed consolidated interim financial information.

1 General information

United Photovoltaics Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, investment, operation and management of solar power plants.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information ("Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. This Financial Information has been approved for issue by the Board of Directors on 29 October 2016.

This Financial Information has not been audited.

1.1 Key events

(a) Acquisitions of subsidiaries

(i) On 26 January 2016, the Group completed the acquisition of an additional equity interest in its associate which owns a 19.8MW solar power plant in Yunnan Province, the People's Republic of China (the "PRC") for a cash consideration of approximately RMB20 million. The associate has since become a subsidiary of the Group and the Group has assumed its Engineering, Procurement and Construction ("EPC") payables and other payables of approximately RMB153 million (Note 18).

(ii) On 13 April 2016, the Group completed the acquisition of a project company which owns a 20MW solar power plant located in Xinjiang Province, the PRC, for a cash consideration of RMB40 million and the Group has assumed its EPC payables and other payables of approximately RMB146 million (Note 18).

(iii) Subsequent to 30 June 2016, on 14 July 2016, the Group completed the acquisition of another project company which owns a 35MW solar power plant located in Yunnan Province, the PRC, for a cash consideration of RMB30 million and has assumed its EPC payables and other payables of approximately RMB284 million (Note 21).

(iv) On 5 August 2016, the Group completed the acquisition of another project company which owns a 20MW solar power plant located in Hebei Province, the PRC, for a consideration of approximately RMB70 million and has assumed its EPC payables and other payables of approximately RMB123 million (Note 21).

(v) On 20 October 2016, the Group completed the acquisition of another project company which owns a 40MW solar power plant located in Shandong Province, the PRC, for a cash consideration of approximately RMB84 million and has assumed its EPC payables and other payables of approximately RMB325 million (Note 21).

1 General information (Continued)

1.1 Key events (Continued)

(b) Proposed acquisition of project companies

As at the date of approval of the Financial Information, the Group had entered into various conditional sale and purchase agreements with independent third parties in relation to proposed acquisitions of solar power plant projects, as follows:

Project location	Aggregate capacity	Date of conditional sale and purchase agreement	Estimated consideration, assumed EPC, other payables and borrowings
- Tangshan, the PRC	20MW	1 December 2015	RMB 138 million
- Ala Shan, the PRC	10MW	25 April 2016	RMB 90 million
- Guodian, the PRC	50MW	25 April 2016	RMB 490 million
- United Kingdom	82.4MW	22 September 2016	British Pounds 106 million (equivalent to approximately RMB 902 million)
Total	162.4MW		RMB 1,620 million

(c) Issuance of a convertible bond

On 26 August 2016, the Company has issued a 3-year 6.5% secured convertible bond with a principal amount of US$50 million (equivalent to approximately RMB326 million). The net proceeds of approximately US$49 million (equivalent to approximately RMB316 million) will be used to finance the Group's future acquisitions of solar power plants (Note 21).

(d) Proposed issuance of subscription shares and warrants

On 20 September 2016, the Company entered into three subscription agreements with ORIX Asia Capital Limited ("ORIX"), an independent third party, China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and New Energy Exchange Limited ("NEX"), a shareholder of the Company, pursuant to which the Company proposed to allot and issue a maximum of 2,233 million subscription shares and a maximum of 871 million warrants. The issuance of the subscription shares and warrants is subject to fulfilment of certain conditions precedent and the aggregate net proceeds from the share subscriptions and the warrant subscriptions are estimated to be HK$1,259 million (equivalent to appropriately RMB1,058 million). The issuance of subscription shares and warrants is subject to fulfilment of certain conditions precedent, amongst others, the successful issuance of corporate bonds and/or obtaining a syndicated loan of not less than HK$2 billion (equivalent to appropriately RMB1.7 billion). The estimated net proceeds will be used for the redemption of the existing convertible bonds issued by the Company which are originally due in 2018 and 2019.

(e) Proposed issuance of US$ senior notes

In October 2016, the Company proposed to issue US$ senior notes with a principal amount of up to US$350 million (equivalent to RMB2.28 billion). The issuance of the US$ senior notes is subject to regulatory approval. The Group plans to use the proceeds from the US$ senior notes to fulfill one of the conditions precedent of issuance of subscription shares and warrants as mentioned in Note 1.1(d).

2 Basis of preparation

This Financial Information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative portion of convertible bonds and financial liabilities at fair value through profit or loss, which were carried at fair values.

2.1 Going-concern basis

As at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB736 million. Included in its current liabilities were bonds payable and bank and other borrowings totalling approximately RMB2,704 million that are scheduled to be repayable within a year from 30 June 2016.

Subsequent to 30 June 2016 and up to the date of approval of this Financial Information, the Group completed the acquisitions of the entire equity interest of three subsidiaries which own solar power plants with aggregate installed capacity of 95MW (Note 1.1(a)(iii),(iv)&(v)). The Group has assumed their EPC payables and other payables, together with the required consideration amounts, totalling approximately RMB916 million.

In addition, the Group entered into certain conditional sale and purchase agreements with independent third parties in relation to proposed acquisition of project companies which own solar power plants with aggregate installed capacity of 162.4MW (Note 1.1(b)). Should these proposed acquisitions be completed, the Group will have to assume the EPC payables, other payables and borrowings, together with the required consideration amounts, totalling approximately RMB1.62 billion.

Furthermore, in December 2013, as part of the Group's acquisition of a 50% equity interest in an associate, the Group granted the Put Option to the other shareholder of that associate, under which the other shareholder has a right to request the Group to acquire its remaining 50% equity interest in that associate for RMB225 million with an internal rate of return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of the other shareholder, for a three-year period up to December 2016. Up to the date of approval of this Financial Information, the other shareholder has not yet exercised its Put Option.

In June 2013, the Group acquired certain concession rights to develop and operate various solar power plant projects. The Group intends to exercise these concession rights and acquire the relevant solar power plant projects from the respective vendors before these rights expire in 2017 and 2018. The Group would require additional financing for these future acquisitions and the required amount is yet to be determined, as it is subject to the negotiation of the final consideration with the relevant vendors, as well as the negotiation of the amount of liabilities of the acquirees to be assumed by the Group upon completion of the acquisitions.

2 Basis of preparation (Continued)

2.1 Going-concern basis (Continued)

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements. All the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 30 June 2016. The directors are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2016:

(i) Subsequent to 30 June 2016, the Group had successfully obtained short-term bank loans of RMB741 million and long-term bank loans of RMB523 million. The Group also had successfully issued medium-term notes of HK$41 million (equivalent to RMB34 million).

(ii) On 26 August 2016, the Company had issued a 3-year 6.5% secured convertible bond with a principal amount of US$50 million (equivalent to approximately RMB326 million) and the net proceeds are approximately US$49 million (equivalent to approximately RMB316 million) (Note 1.1(c)).

(iii) In December 2015, China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect 79.36% owned subsidiary of China Merchants Group, had issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 December 2017 to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) as and when they fall due and to carry on its business without a significant curtailment of operations.

(iv) On 20 September 2016, the Company proposed to allot and issue a maximum of 2,233 million subscription shares and a maximum of 871 million warrants, and the aggregate net proceeds are estimated to be RMB1,058 million (Note 1.1(d)).

(v) In October 2016, the Company proposed to issue the US$ senior notes with a principal amount of up to US$350 million (equivalent to RMB2.28 billion) (Note 1.1(e)). The directors are confident that the Group could successfully issue the US$ senior notes.

(vi) The Group is pursuing the opportunities to issue long-term corporate bonds in the PRC. The directors are confident that the Group could successfully issue the corporate bonds.

(vii) The Group is also in the process of negotiating new long-term borrowings from banks or other financial institutions to finance the settlement of its existing financial obligations and capital expenditures. In addition, should the proposed acquisitions be completed, the Group will try to negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these new acquirees. Based on the past experience of the Group, the directors are confident that the Group will be able to obtain such long-term borrowings from banks and other financial institutions.

2 Basis of preparation (Continued)

2.1 Going-concern basis (Continued)

(viii) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The directors are confident that the tariff adjustment receivables in relation to the Group's solar power plants included in the sixth batch Renewable Energy Tariff Subsidy Catalogue will be received on or before 30 June 2017 (Note 12).

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2016. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in (iii) to (viii) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the financial support from CMNEG as needed, successfully issue the subscription shares and warrants, successfully issue the US$ senior notes, successfully issue corporate bonds in the PRC, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflows from its existing solar power plants and other plants to be acquired or constructed in the expected timeframe.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's 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 effects of these adjustments have not been reflected in the Financial Information.

2 Basis of preparation (Continued)

2.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements. Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings.

(a) New and amended standards adopted by the Group

Effective for accounting periods beginning on or after 1 January 2016.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

These new/amended standards do not have a material impact on the Group's financial statements.

(b) New standards, amendments to standards and interpretation that have been issued during the period but were not yet effective

Effective for accounting period beginning on 1 January 2018 and has not been early adopted by the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customer

Effective for accounting period beginning on 1 January 2019 and has not been early adopted by the Group:

HKFRS 16	Leases

Effective for accounting period beginning on or after a date to be determined

HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception

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

2.3 Critical accounting estimates and assumptions

The preparation of this Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

2 Basis of preparation (Continued)

2.4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and interest rate risk), credit risk and liquidity risk.

The Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015. There have been no changes in the risk management policies since year end. Compared to 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2016.

3 Segment information

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group retains one single reportable segment, which is principally engaged in the development, investment, operation and management of solar power plants.

For the six months ended 30 June 2016, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2015: Same).

The geographical analysis of the Group's non-current assets (excluding deposits for investments, pledged guarantee deposits relating to borrowings, value-added tax recoverable and financial assets at fair value through profit or loss) is as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
The PRC	9,672,141	8,733,918
Hong Kong	957	435
	9,673,098	8,734,353

For the six months ended 30 June 2016, there were three customers (30 June 2015: three) which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	Unaudited For the six months ended 30 June	
	2016 RMB' 000	2015 RMB' 000
Customer A	143,733	91,596
Customer B	130,954	128,251
Customer C	45,667	-
Customer D	-	33,835

4 Other income

Balance mainly represented the compensation interest income of approximately RMB24 million (30 June 2015: Nil) on the advance payment paid in respect of a terminated acquisition in 2015 ("Advance Payment").

5 Finance income

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Imputed interest income on pledged guarantee deposits	4,557	507
Interest income on bank balances and deposits	4,062	855
Subsequent fair value gain on derivative portion of convertible bonds	58,513	117,175
	67,132	118,537

6 Finance costs

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
In relation to bank and other borrowings:		
- Amortisation of loan facilities fees	34,615	6,207
- Interest expenses	141,926	81,873
In relation to convertible bonds:		
- Amortisation of unrealised fair value loss upon the issuance of convertible bonds	33,254	31,431
- Imputed interest expense on convertible bonds	283,439	99,325
- Day 1 fair value loss on issue of convertible bonds	-	50,626
	493,234	269,462

7 Income tax expenses

The Group's operations in the PRC were subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate was 25%. During the period, 17 subsidiaries of the Group which are engaged in the development, investment, operation and management of solar power plants have obtained the relevant preferential tax concession; while 2 newly acquired subsidiaries during the period which are also engaged in the development, investment, operation and management of solar power plant are expected to obtain the preferential tax concession in the near future. They are/will be fully exempted from the PRC corporate income tax for the first three years after obtaining the concession, followed by a 50% tax exemption for the next three years.

The applicable tax rate during the period was 0% (30 June 2015: 0%).

8 Dividends

No dividend on ordinary shares has been paid or declared by the Company for the six months ended 30 June 2016 (30 June 2015: Nil).

9 Earnings per share

(a) Basic

Basic earnings per share was calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period:

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit attributable to the shareholders of the Company (RMB'000)	248,951	242,914
Weighted average number of ordinary shares in issue (thousand shares)	4,771,452	4,341,126
Basic earnings per share (RMB cents)	5.22	5.60

(b) Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the six months ended 30 June 2016, the Company has three (30 June 2015: four) categories of dilutive potential ordinary shares: convertible bonds, Put Option and share option (30 June 2015: convertible bonds, share option, EIS and Put Option).

The convertible bonds were assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest expense and fair value change less the tax effect. For the share option, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the current period) based on the monetary value of the subscription rights attached to outstanding share option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option. The Put Option was assumed to have been exercised by the holder and to be settled by way of issue of the Company's shares. The net profit has been adjusted to eliminate the fair value change less the tax effect and to additionally share the results of an associate. For contingent issuable shares was assumed to be converted as if the conditions of the contingency are deemed to have been met.

9 Earnings per share (Continued)

(b) Diluted (Continued)

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Earnings (RMB'000)		
Profit attributable to the shareholders of the Company	248,951	242,914
Assumed exercise/conversion of Put Option, contingent consideration payable and certain convertible bonds (2015: certain convertible bonds and EIS)		
Adjustments for:		
Put Option		
- Fair value gain	(21,262)	-
- Additional share of result of an associate	9,269	-
Certain convertible bonds/contingent consideration payables		
- Imputed interest expenses	35,164	8,476
- Subsequent remeasurement gains	(48,989)	(88,898)
Adjusted profit attributable to shareholders of the Company used to determine the diluted earnings per share	223,133	162,492
Weighted average number of ordinary shares in issue (thousand shares)	4,771,452	4,341,126
Adjustments for:		
- Assumed conversion of certain convertible bonds/contingent consideration payables	1,022,062	96,270
- Assumed exercise of EIS	-	75,827
- Assumed exercise of Put Option	194,285	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	5,987,799	4,513,223
Diluted earnings per share attributable to the shareholders of the Company (RMB cents)	3.73	3.60

Share option and certain convertible bonds were not assumed to be converted as they would have an anti-dilutive impact to the profit attributable to the shareholders of the Company per share, for the six months ended 30 June 2016 (30 June 2015: contingent consideration payable, certain convertible bonds, Put Option and share option).

10 Other receivables, deposits and prepayments

The decrease was mainly due to the full recovery of the Advance Payment of approximately RMB424 million paid in 2015.

11 Financial assets at fair value through profit or loss

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Call Option	111,182	120,890
Guaranteed electricity output (Note (a))	305,680	-
Unlisted investment (Note (b))	123,700	-
	540,562	120,890
Less: Amount classified as non-current	(111,182)	(120,890)
Current portion	429,380	-

Note:

(a) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The Directors determined the fair value after considering the contractual terms, the actual shortfall in electricity generated and the outcome of recent negotiation with the relevant vendors.

(b) The investee is principally engaged in provision of solar energy related products and solutions; development, investment, operation, management of solar power plants; consultation service of renewable energy; and information technology development and technical support service. The Group ceased to have significant influence over the investee during the period. The directors of the Company intend to divest this investment in the foreseeable future and accordingly, it is classified as investment held for trading and its fair value is determined with reference to a business valuation report issued by an independent valuer. The fair value gain recognised during the period was approximately RMB107 million.

12 Trade, bills and tariff adjustment receivables

As at 30 June 2016, trade receivables of approximately RMB34 million represented receivables from sales of electricity and are usually settled within one month. Tariff adjustment receivables represented (i) the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China based on the respective electricity sale and purchase agreements for each of the Group's solar plants and prevailing nationwide government policies, of which approximately RMB5 million, RMB339 million, RMB652 million and RMB367 million are arising from electricity generated in 2013, 2014, 2015 and the six months ended 30 June 2016, respectively; and (ii) the provincial government subsidies on a renewable energy project, of which approximately RMB5 million and RMB8 million are arising from electricity generated in 2015 and the six months ended 30 June 2016, respectively.

As at 30 June 2016, the Group had bills receivables of approximately RMB35 million.

As at 30 June 2016, the trade, bills and tariff adjustment receivables were not yet due for payment (31 December 2015: Same).

On 24 August 2016, the sixth batch Renewable Energy Tariff Subsidy Catalogue (the "6th Batch Catalogue") was jointly issued by Ministry of Finance ("MOF"), National Development and Reform Commission ("NDRC") and National Energy Bureau ("NEB"), which includes 16 solar power plants owned by the Group with aggregate capacity of 630MW. Based on past experience, the management believes that the distribution of the accrued tariff adjustment in relation to these 16 solar power plants is of administrative in nature.

13 Share capital

	Number of shares (thousands)	RMB'000
Ordinary shares of HK$0.10 each		
Authorised:		
As at 1 January 2016 and 30 June 2016	20,000,000	1,637,168
Issued and fully paid:		
As at 1 January 2016	4,751,266	385,804
Issue of shares upon conversion of convertible bonds (Note)	88,044	7,282
As at 30 June 2016	4,839,310	393,086

Note:

During the period, the Company issued and allotted 88,044,000 shares (including 40,020,000 shares in relation to EIS) upon conversion of certain Series B convertible bonds. The conversion price was HK$1.00 per share.

14 Bank and other borrowings

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current	4,434,553	4,305,778
Current	1,694,900	703,821
	6,129,453	5,009,599

Movements in bank and other borrowings is analysed as follows:

	RMB'000
As at 1 January 2016	5,009,599
Amortisation of loan facilities fees	34,615
Net proceeds from bank borrowings	810,307
Repayment of bank borrowings	(465,318)
Net proceeds from loans from leasing companies	725,257
Repayment of loans from leasing companies	(15,653)
Net proceeds from issue of medium-term notes	32,322
Unamortised interest cost on pledged deposits	(1,654)
Exchange realignment	(22)
As at 30 June 2016	6,129,453

15 Convertible bonds and contingent consideration payables

The Series B convertible bonds were released from the escrow account during the period upon the fulfilment of the profit guarantee of China Solar Power Group Limited. Accordingly, the contingent consideration payables have been reclassified to convertible bonds.

16 Condensed consolidated statement of cash flows

Net cash generated from operations

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Operating activities:		
Profit before income tax	257,538	254,353
Adjustments for:		
Deferred government grant	(2,000)	(250)
Amortisation of land use rights	5	6
Bargain purchase arising from:		
(i) Business combinations; and	(4,167)	(11,824)
(ii) Acquisition of an associate	-	(6,787)
Deprecation of property, plant and equipment	166,544	107,048
Fair value losses/(gains) on financial assets at fair value through profit or loss relating to:		
(i) Call Option;	9,708	(142,244)
(ii) Guaranteed electricity output; and	(305,680)	(212,809)
(iii) Unlisted investment	(106,709)	-
Fair value (gains)/losses on financial liabilities at fair value through profit or loss relating to:		
(i) Contingent consideration payables; and	(36,665)	57,637
(ii) Put Option	(21,262)	11,813
Finance income	(67,132)	(118,537)
Finance costs	493,234	269,462
Share-based payment expenses	5,420	17,131
Share of (profits)/losses of associates	(9,030)	3,161
Operating profit before working capital changes	379,804	228,160
Changes in working capital		
Trade, bills and tariff adjustment receivables	(243,946)	(215,060)
Other receivables, deposits and prepayments	893	(46,722)
Amounts due to associates	-	15,000
Trade payables	(89,638)	-
Other payables and accruals	(38,669)	50,736
Net cash generated from operations	8,444	32,114

17 Commitments

As at 30 June 2016, the Group did not have any capital commitment in respect of property, plant and equipment (31 December 2015: RMB690 million).

18 Business combinations

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 opportunity to acquire solar power plants with good prospects and potential for stable returns. During the period, the Group acquired two solar power plants.

Yongsheng Huiguang

As at 31 December 2015, the Group owned 19.1% equity interest in Yongsheng Huiguang Photovoltaics Power Co., Ltd. ("Yongsheng Huiguang") which treated as an associate to the Group. On 26 January 2016, the Group further completed the acquisition of the 36.5% equity interest in Yongsheng Huiguang for a cash consideration of approximately RMB20.1 million from an independent third party. As a result, the Group owns 55.6% equity interest in Yongsheng Huiguang which became a subsidiary of the Group. The principal activities of Yongsheng Huiguang are the development and operation of a solar power plant located in Yunnan Province, the PRC, with an aggregate installed capacity of approximately 19.8MW.

Wujiaqu

On 13 April 2016, the Group completed the acquisition of a 100% equity interest in Wujiaqu Lishang Photovoltaics Power Co., Ltd. ("Wujiaqu") for a cash consideration of RMB40 million from an affiliate of a substantial shareholder of the Company. The principal activities of Wujiaqu are the development and operation of a solar power plant located in Xinjiang, the PRC, with an aggregate installed capacity of approximately 20MW.

The following table summarises the consideration paid, the provisional fair value of identifiable assets acquired, liabilities assumed and the non-controlling interest as at the acquisition date:

	Yongsheng Huiguang RMB'000	Wujiaqu RMB'000	Total RMB'000
Consideration:			
Cash consideration	20,100	40,000	60,100
Redesignation of concession rights previously recognised			
- Intangible assets	-	31,684	31,684
- Deferred tax liabilities	-	(6,495)	(6,495)
Fair value of previously held interest	15,595	-	15,595
Total consideration	35,695	65,189	100,884

18 Business combinations (Continued)

	Yongsheng Huiguang RMB'000	Wujiaqu RMB'000	Total RMB'000
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests			
Property, plant and equipment	175,527	176,833	352,360
Value-added tax recoverable	18,993	19,995	38,988
Trade and other receivables and prepayments (Note (b))	21,460	14,012	35,472
Cash and cash equivalents	8,175	129	8,304
Trade and other payables	(147,661)	(139,177)	(286,838)
Deferred tax liabilities (Note (c))	(4,512)	(6,603)	(11,115)
Total identifiable net assets	71,982	65,189	137,171
Non-controlling interests (Note (e))	(32,120)	-	(32,120)
Bargain purchase recognised in interim condensed consolidated statement of profit or loss (Note (d))	(4,167)	-	(4,167)
	35,695	65,189	100,884
Acquisition costs recognised in interim condensed consolidated statement of profit or loss	-	7	7
Net cash outflow arising from the acquisitions			
Cash consideration	(20,100)	(40,000)	(60,100)
Less: Deposit for investments paid in prior year	-	40,000	40,000
Cash and cash equivalents acquired	8,175	129	8,304
	(11,925)	129	(11,796)

Notes:

(a) Revenue and profit contribution

The sales of electricity and tariff adjustment included in the interim condensed consolidated statement of profit or loss since acquisition date contributed by Yongsheng Huiquang and Wujiaqu were approximately RMB12.6 million and RMB5.3 million respectively. Yongsheng Huiquang and Wujiaqu also contributed profit of RMB3.9 million and RMB3.2 million respectively over the same period. Had the consolidation taken place at 1 January 2016, the interim condensed consolidated statement of profit or loss would show pro-forma revenue of RMB452 million and profits attributable to shareholders of the Company of RMB249 million.

18 Business combinations (Continued)

Notes: (Continued)

(b) Acquired receivables

The fair values of trade and other receivables and prepayments acquired were approximately RMB35,472,000, which included trade receivables with fair values of approximately RMB1,405,000 for Wujiaqu. The gross contractual amount of these trade receivables due in aggregate was approximately RMB1,405,000, of which no balance was expected to be uncollectible.

(c) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately RMB11,115,000 have been provided for in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

The Group recognised bargain purchase of approximately RMB4,167,000 in the interim condensed consolidated statement of profit or loss as a result of acquisition of Yongsheng Huiguang. The main reason giving rise to the bargain purchase was the fact that the discounted cash flow over the expected useful lives of the solar power plants of 25 years exceeded the total consideration paid.

(e) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

19 Related-party transactions

(a) Significant related party transactions

Other than those balances and transactions disclosed elsewhere in this Financial Information, no significant related party transactions between the Group and its related parties were occurred during the period (30 June 2015: Nil).

(b) Key management compensation

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	5,470	2,781
Share-based payment	1,369	2,162
	6,839	4,943

20 Fair value measurement

(a) Financial assets and financial liabilities measured at fair value

The levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

All financial assets and liabilities which were carried at fair value as at 30 June 2016 were categorised as level 3.

There were no transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

The following table presents the changes in level 3 instruments for the period ended 30 June 2016.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss		
	Call Option RMB'000	Guaranteed electricity output RMB'000	Unlisted investment RMB'000	Contingent consideration payables RMB'000	Put Option RMB'000	Derivative portion of convertible bonds RMB'000
Opening balance at 1 January 2016	120,890	-	-	(580,691)	(21,262)	(108,527)
Fair value (loss)/gains recognised in the interim condensed consolidated statement of profit or loss	(9,708)	305,680	106,709	36,665	21,262	58,513
Transfer to convertible bonds	-	-	-	524,809	-	-
Transfer from investments in associates	-	-	16,991	-	-	-
Exchange difference	-	-	-	19,217	-	1,553
Closing balance at 30 June 2016	111,182	305,680	123,700	-	-	(48,461)
Total (losses)/gains for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(9,708)	305,680	106,709	36,665	21,262	58,513
Change in unrealised (losses)/gains for the period included in the interim condensed consolidated statement of profit or loss for assets and liabilities held at the end of the reporting period	(9,708)	305,680	106,709	36,665	21,262	58,513

20 Fair value measurement (Continued)

(b) Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. Volatility is the main significant unobservable input. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

	Fair value at					Favourable/(unfavourable) changes in profit or loss	
Description	30 June 2016 RMB'000	31 December 2015 RMB'000	Valuation techniques	Significant inputs	Range of inputs	30 June 2016 RMB'000	31 December 2015 RMB'000
Financial assets at fair value through profit or loss							
- Guaranteed electricity output	305,680	-	Based on the estimated shortfall of electricity pursuant to sale and purchase agreement	Refer to Note 11(a)	-	-	-
- Call Option	111,182	120,890	Binomial approach	Volatility	+5%	9,998	11,162
					-5%	(10,126)	(11,325)
- Unlisted Investment	123,700	-	Income approach	Discount rate	+5%	(41,068)	-
					-5%	45,445	-
- Contingent consideration payables	-	(80,691)	Binomial approach	Volatility	+5%	-	(2,328)
					-5%	-	11,184
				Share price	+HK$0.10	-	(34,056)
					-HK$0.10	-	37,373
- Derivative portion of convertible bonds	(48,461)	(108,527)	Binomial approach	Volatility	+5%	(13,713)	(22,496)
					-5%	13,062	23,527
				Share price	+HK$0.10	(27,886)	(42,455)
					-HK$0.10	21,568	35,774

20 Fair value measurement (Continued)

(b) Sensitivity analysis of observable and unobservable inputs (Continued)

Except for the liability component of the convertible bonds which were carried at amortised cost, the carrying amounts of all financial assets and financial liabilities of the Group approximated their fair values as at 30 June 2016 (31 December 2015: Same).

	Unaudited 30 June 2016		Audited 31 December 2015	
	Carrying value RMB'000	Fair value RMB'000	Carrying value RMB'000	Fair value RMB'000
Financial liabilities				
Convertible bonds carried at amortised cost	3,426,821	3,603,501	2,802,432	3,053,378

The fair values of the liability portion of the convertible bonds carried at amortised cost were within level 3 of the fair value hierarchy and were determined by discounted cash flow using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflects the credit risk of the Company.

21 Events after the date of the statement of financial position

On 14 July 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 35MW located in Yunnan Province, the PRC for a cash consideration of RMB30 million.

On 5 August 2016, the Group completed the acquisition of 100% equity interest in a project company which owns a solar power plant with installed capacity of approximately 20MW located in Hebei Province, the PRC for a consideration of approximately RMB70 million.

On 26 August 2016, the Company completed the issue of convertible bonds to a subscriber in the principal amount of US$50 million (equivalent to approximately RMB326 million).

On 20 October 2016, the Company completed the acquisition of 100% equity interest in a project company which owns a solar power with installed capacity of approximately 40MW located in Shandong Province, the PRC for a cash consideration of approximately RMB84 million.

22 Comparative Figures

Certain comparative figures have been represented to conform to current period's presentation.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF UNITED PHOTOVOLTAICS GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of United Photovoltaics Group Limited (the "Company") and its subsidiaries set out on pages 75 to 162, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Independent Auditor's Report

TO THE SHAREHOLDERS OF UNITED PHOTOVOLTAICS GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw your attention to Note 2.1.3 of the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by RMB124 million as at 31 December 2015, and that the Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. These matters, along with other matters as described in Note 2.1.3 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Restated)
Continuing operations			
Sales of electricity	5	**175,256**	124,846
Tariff adjustment	5	**455,418**	254,518
		630,674	379,364
Government grant	27	**1,950**	–
Reversal of impairment charge on other receivables		**–**	8,382
Employee benefits expenses	7	**(69,736)**	(53,217)
Legal and professional fees		**(7,618)**	(3,516)
Maintenance costs		**(47,652)**	(37,922)
Other expenses	8	**(43,873)**	(15,939)
Sales of solar energy related products	6	**306,615**	35,500
Cost of sales of solar energy related products		**(289,998)**	(35,195)
EBITDA[#]		**480,362**	277,457
Acquisition costs arising from business combinations	31	**(4,822)**	(2,401)
Depreciation of property, plant and equipment	14	**(242,176)**	(144,801)
Bargain purchase arising from:			
(i) Business combinations	31	**204,506**	35,520
(ii) Acquisition of associates	17	**9,634**	–
Fair value gain/(loss) on financial assets at fair value through profit or loss relating to:			
(i) Call option issued relating to the acquisition of an associate ("Call Option")	19	**120,890**	–
(ii) Guaranteed electricity output	19	**(76,356)**	101,146
Fair value gain on financial liabilities at fair value through profit or loss relating to:			
(i) Contingent consideration payables	26	**159,362**	286,221
(ii) Put option issued in relation to acquisition of an associate ("Put Option")	17	**34,541**	72,967
Fair value gain on previously held interest as a result of business combination		**–**	1,617
Finance income	9	**288,122**	162,466
Finance costs	10	**(637,534)**	(306,769)
Gain on disposal of an associate	17	**32,840**	–
Share of profits of associates	17	**3,893**	15,127
Profit before income tax		**373,262**	498,550
Income tax credit	11	**–**	30
Profit for the year from continuing operations		**373,262**	498,580
Discontinued operation			
Loss from discontinued operation		**–**	(238,420)
Profit for the year		**373,262**	260,160

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Restated)
Profit attributable to:			
— Shareholders of the Company		**360,670**	251,864
— Non-controlling interests		**12,592**	8,296
		373,262	260,160
Profit/(loss) attributable to shareholders of the Company arising from:			
— Continuing operations		**360,670**	490,284
— Discontinued operation		**–**	(238,420)
		360,670	251,864
Earnings/(loss) per share from continuing and discontinued operations attributable to shareholders of the Company			
Basic earnings/(loss) per share (RMB cents)	13		
— From continuing operations		**7.96**	12.00
— From discontinued operation		**–**	(5.83)
		7.96	6.17
Diluted earnings/(loss) per share (RMB cents)	13		
— From continuing operations		**0.75**	2.90
— From discontinued operation		**–**	(4.63)
		0.75	(1.73)

EBITDA represents earnings before finance income, finance costs, taxation, depreciation and fair value gains/(losses), which also excludes acquisition costs arising from business combinations, share of profits of associates and gain on disposal of an associate. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective.

The notes on pages 84 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
		(Restated)
Profit for the year	**373,262**	260,160
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of financial statements of subsidiaries and associates	**(107,520)**	(1,702)
Total other comprehensive loss for the year, net of tax	**(107,520)**	(1,702)
Total comprehensive income for the year	**265,742**	258,458
Total comprehensive income for the year attributable to		
— Shareholders of the Company	**253,150**	250,162
— Non-controlling interests	**12,592**	8,296
	265,742	258,458
Total comprehensive income/(loss) for the year attributable to shareholders of the Company arising from:		
— Continuing operations	**253,150**	488,582
— Discontinued operation	**–**	(238,420)
	253,150	250,162

The notes on pages 84 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights		**440**	451	111,218
Property, plant and equipment	14	**7,419,750**	4,581,055	2,013,240
Intangible assets	15	**949,781**	989,424	1,297,222
Investments in associates	17	**305,040**	290,627	227,864
Investment properties		**–**	–	38,120
Other receivables, deposits and prepayments	18	**741,123**	453,979	442,269
Financial assets at fair value through profit or loss	19	**120,890**	–	–
		9,537,024	6,315,536	4,129,933
Current assets				
Inventories	20	**1,314**	1,314	6,896
Amounts due from associates	17	**279,277**	18,341	–
Financial assets at fair value through profit or loss	19	**–**	76,356	74,000
Other receivables, deposits and prepayments	18	**770,031**	100,990	227,958
Trade, bills and tariff adjustment receivables	21	**1,228,359**	363,284	27,449
Pledged bank deposits	22	**–**	61,000	118,514
Restricted cash	22	**206,150**	18,341	18,280
Cash and cash equivalents	22	**947,154**	212,672	108,038
		3,432,285	852,298	581,135
Total assets		**12,969,309**	7,167,834	4,711,068
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	23	**385,804**	354,915	284,416
Reserves		**1,739,519**	1,084,586	71,654
		2,125,323	1,439,501	356,070
Non-controlling interests		**104,631**	44,249	1,425
Total equity		**2,229,954**	1,483,750	357,495

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	24	**4,305,778**	1,626,676	660,000
Convertible bonds	25	**1,986,936**	826,191	971,711
Contingent consideration payables	26	**580,691**	696,536	978,433
Cash-settled share-based payment	23(d)	**23,570**	16,073	27,868
Deferred government grant	27	**4,210**	4,160	87,629
Deferred tax liabilities	28	**281,532**	246,278	259,982
		7,182,717	3,415,914	2,985,623
Current liabilities				
Trade payables	29	**89,638**	186	263,852
Other payables and accruals	29	**1,792,566**	1,677,969	644,005
Amounts due to associates	17	**25,328**	30,199	14,500
Current income tax liabilities		**–**	–	30
Amounts due to shareholders		**–**	–	20,599
Bank and other borrowings	24	**703,821**	504,013	296,194
Convertible bonds	25	**924,023**	–	–
Other financial liability at fair value through profit or loss	17	**21,262**	55,803	128,770
		3,556,638	2,268,170	1,367,950
Total liabilities		**10,739,355**	5,684,084	4,353,573
Total equity and liabilities		**12,969,309**	7,167,834	4,711,068

The notes on pages 84 to 162 are an integral part of these consolidated financial statements.

Mr. Li, Alan
Director

Mr. Li Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to the shareholders of the Company										
	Share capital RMB'000 (Restated)	Share premium RMB'000 (Restated)	Share-based payment reserve RMB'000 (Restated)	Shares held under equity incentive scheme ("EIS") RMB'000 (Restated)	Convertible bonds equity reserve RMB'000 (Restated)	Property revaluation reserve RMB'000 (Restated)	Translation reserve RMB'000 (Restated)	Accumulated losses RMB'000 (Restated)	Total RMB'000 (Restated)	Non-controlling interests RMB'000 (Restated)	Total equity RMB'000 (Restated)
Balance at 1 January 2014	284,416	3,178,238	63,871	(24,028)	408,347	1,894	(48,339)	(3,508,329)	356,070	1,425	357,495
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	251,864	251,864	8,296	260,160
Other comprehensive loss	–	–	–	–	–	–	(1,702)	–	(1,702)	–	(1,702)
Total comprehensive (loss)/income	–	–	–	–	–	–	(1,702)	251,864	250,162	8,296	258,458
Release of property revaluation reserve upon disposal of a subsidiary	–	–	–	–	–	(1,894)	–	–	(1,894)	–	(1,894)
Issue of shares through placement	37,762	598,433	–	–	–	–	–	–	636,195	–	636,195
Issue of shares upon conversion of convertible bonds	29,560	432,375	–	–	(300,034)	–	–	–	161,901	–	161,901
Share-based payment	–	–	23,854	–	–	–	–	–	23,854	–	23,854
Share option lapsed	–	–	(1,184)	–	–	–	–	1,184	–	–	–
Issue of shares on conversion of convertible bonds held by a trustee under EIS	3,177	26,685	13,213	(29,862)	–	–	–	–	13,213	–	13,213
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	34,528	34,528
Total transactions with shareholders, recognised directly in equity	70,499	1,057,493	35,883	(29,862)	(300,034)	(1,894)	–	1,184	833,269	34,528	867,797
Balance at 31 December 2014	354,915	4,235,731	99,754	(53,890)	108,313	–	(50,041)	(3,255,281)	1,439,501	44,249	1,483,750

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to the shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under EIS RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Other reserve (Note 23(e)) RMB'000	Accumulated losses (Note 23(f)) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	**354,915**	**4,235,731**	**99,754**	**(53,890)**	**108,313**	**(50,041)**	**–**	**(3,255,281)**	**1,439,501**	**44,249**	**1,483,750**
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	360,670	360,670	12,592	373,262
Other comprehensive loss	–	–	–	–	–	(107,520)	–	–	(107,520)	–	(107,520)
Total comprehensive (loss)/income	–	–	–	–	–	(107,520)	–	360,670	253,150	12,592	265,742
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(17,326)	(17,326)
Non-controlling interests arising from business combination (Note 31)	–	–	–	–	–	–	–	–	–	65,067	65,067
Issue of shares through placement (Note 23(b))	30,041	269,962	–	–	–	–	–	–	300,003	–	300,003
Issue of convertible bonds (Note 25)	–	–	–	–	113,680	–	–	–	113,680	–	113,680
Share-based payment (Note 23(c)&(d))	–	–	19,038	–	–	–	–	–	19,038	–	19,038
Transaction with non-controlling interests (Note 16(c))	848	5,767	–	–	–	–	(6,664)	–	(49)	49	–
Total transactions with shareholders, recognised directly in equity	30,889	275,729	19,038	–	113,680	–	(6,664)	–	432,672	47,790	480,462
Balance at 31 December 2015	**385,804**	**4,511,460**	**118,792**	**(53,890)**	**221,993**	**(157,561)**	**(6,664)**	**(2,894,611)**	**2,125,323**	**104,631**	**2,229,954**

The notes on pages 84 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Restated)
Cash flows from operating activities			
Net cash generated from continuing operations	30	**111,536**	147,715
Net cash generated from operating activities from continuing operations		**111,536**	147,715
Net cash generated from operating activities from discontinued operation		**–**	73,751
		111,536	221,466
Cash flow from investing activities			
Acquisition of associates		**(31,747)**	(4,500)
Acquisitions of subsidiaries, net of cash acquired	31	**(545,068)**	(149,190)
Deposits paid for investments		**(75,000)**	(8,747)
Amounts due from associates		**(284,148)**	–
Interests received		**7,027**	705
Net proceeds from disposal of an associate	17	**67,448**	–
Net proceeds from disposal of subsidiaries		**–**	169,150
Proceeds from government grant		**2,000**	2,460
Refundable deposit from Hareon		**(423,872)**	–
Purchase of property, plant and equipment		**(79,590)**	(44,226)
Repayment of construction costs payable		**(1,874,747)**	(879,486)
Net proceeds from disposal of assets held-for-sale	31(iii)	**70,000**	–
Net cash used in investing activities from continuing operations		**(3,167,697)**	(913,834)
Net cash used in investing activities from discontinued operation		**–**	(16,391)
		(3,167,697)	(930,225)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Restated)
Cash flow from financing activities			
Interests paid		**(232,603)**	(130,799)
Decrease/(increase) in pledged bank deposits		**61,000**	(10,917)
Increase in restricted cash		**(186,440)**	–
Increase in pledged guarantee deposits		**(64,000)**	(25,500)
Net proceeds from issue of convertible bonds		**1,941,323**	–
Net proceeds from bank borrowings		**1,402,229**	872,023
Repayment of bank borrowings		**(132,000)**	(650,000)
Net proceeds from loans from leasing companies		**580,660**	203,396
Repayment of loans from leasing companies		**(23,422)**	–
Net proceeds from medium-term note	24(c)	**62,726**	–
Net proceeds from placing of new shares	23(b)	**300,003**	636,194
Net proceeds from loans from a third party		**–**	5,500
Repayment of loans from a third party		**(10,000)**	(40,000)
Repayment of amounts due to shareholders		**–**	(16,639)
Net proceeds from the associates		**–**	29,500
Net cash generated from financing activities from continuing operations		**3,699,476**	872,758
Net cash used in financing activities from discontinued operation		**–**	(63,337)
		3,699,476	809,421
Net increase in cash and cash equivalents		**643,315**	100,662
Cash and cash equivalents at beginning of year		**212,672**	108,038
Effect of foreign exchange rate changes		**91,167**	3,972
Cash and cash equivalents at end of year	22	**947,154**	212,672

The notes on pages 84 to 162 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

United Photovoltaics Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, investment, operation and management of solar power plants.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, contingent consideration payables, derivatives of convertible bonds, other financial liability at fair value through profit or loss and cash-settled share-based payment, which were carried at fair values.

The preparation of financial statements 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Discontinued operation

In October 2014, the Company disposed of 70% equity interest in Fortune Arena Limited ("Fortune Arena") and its subsidiaries (the "Disposal Group"). The Disposal Group represented a separate major line of business of the Group and was regarded as a discontinued operation. In December 2015, the Group has further disposed of its remaining 30% equity interest in Fortune Arena.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Change in presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its consolidated financial statements. Having considered the principal activities of the Group are mainly conducted in the People's Republic of China ("PRC") where the functional currency of those subsidiaries in the PRC are denominated in RMB, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's transactions in these consolidated financial statements.

The change in presentation currency have been applied retrospectively. The comparative figures in these consolidated financial statements were translated from HK$ to RMB using the applicable closing rates for items in the consolidated statement of financial position and applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

2.1.3 Going concern

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB124 million.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 31 December 2015, the Group had capital commitment of RMB690 million, mainly in relation to the construction of a solar power plant, with an aggregate installed capacity of 100MW (Note 32(a)).

In December 2015, the Group entered into conditional sale and purchase agreements with an associate to acquire all the equity interests of two of the associate's subsidiaries at RMB356 million, comprising consideration payables and assumption of Engineering, Procurement and Construction ("EPC") payables and other payables. Up to 31 December 2015, the Group has already paid RMB80 million as a deposit for the proposed acquisitions (Note 18(a)). Should these proposed acquisitions be completed, the Group will have to pay an additional amount of RMB276 million.

In addition, in January 2016, the Group completed the acquisition of an additional equity interest in an associate at a cash consideration of RMB20 million (Note 34). The associate has since become a subsidiary of the Group and the Group has assumed the EPC payables and other payables of approximately RMB12 million.

Furthermore, in February 2016, the Group paid a deposit of RMB30 million pursuant to an agreement with a vendor for further negotiation of a potential acquisition of a solar power plant with an aggregate installed capacity of 35MW. Should this potential acquisition be completed, the Group would have to finance the settlement of its EPC payables and other payables, which amounted to approximately RMB284 million based on internal estimates.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.3 Going concern (Continued)

In December 2013, as part of the Group's acquisition of a 50% equity interest in an associate, the Group granted a Put Option to the other shareholder of that associate, under which the other shareholder has a right to request the Group to acquire its remaining 50% equity interest in that associate for RMB225 million with an internal rate of return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of the other shareholder, for a three-year period up to December 2016. The other shareholder of the associate has confirmed not to request the Group to acquire the remaining 50% equity interest by way of cash before 31 May 2016 (Note 17).

In June 2013, the Group acquired certain concession rights to develop and operate various solar power plant projects. The Group intends to exercise these concession rights and acquire the relevant solar power plant projects from the respective vendors before these rights expire in 2017 and 2018. The Group would require additional financing for these future acquisitions and the required amount is yet to be determined, as it is subject to the negotiation of the final consideration with the relevant vendors, as well as the negotiation of the amount of liabilities of the acquirees to be assumed by the Group upon completion of the acquisitions (Note 15).

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements. All the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

(i) During the year, the Group had obtained a long-term loan totalling RMB600 million from a bank to finance the EPC payables of its solar power plant in Hubei, the People's Republic of China (the "PRC"). As at 31 December 2015, the Group had already drawn down a loan amount of RMB545 million. Subsequent to the year end, the remaining loan principal amount of RMB55 million has also been drawn down (Note 24).

(ii) Subsequent to the date of statement of financial position, the Group had obtained and drawn down long-term loans totalling RMB587 million from certain leasing companies to finance the EPC payables of its solar power plants in Shanxi and Yunnan Province, the PRC (Note 24).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.3 Going concern (Continued)

(iii) In December 2015, China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect 79.36% owned subsidiary of China Merchants, has issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 December 2017 to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) as and when they fall due and to carry on its business without a significant curtailment of operations.

(iv) The Group is also in the process of negotiating long-term borrowings from banks or other financial institutions to finance the settlement of its existing financial obligations and capital expenditures. In addition, should the proposed acquisitions be completed, the Group will negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these newly acquired subsidiaries. Based on the past experience of the Group, the directors are confident that they could obtain such long-term borrowings from banks and other financial institutions.

(v) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The directors are confident that the tariff adjustment receivables will be settled following the release of the next Renewable Energy Tariff Subsidy Catalogue by the PRC government (Note 21).

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2015. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in (iii) to (v) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the financial support from CMNEG as needed, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflows from its existing solar power plants and other plants to be acquired or constructed in the expected timeframe.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's 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 effects of these adjustments have not been reflected in the consolidated financial statements.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.4 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015.

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

Those standards, amendments and interpretations which were effective for the financial year beginning on 1 January 2015 do not have a material effect on the Group's financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards, amendments to standards and interpretation that have been issued but were not yet effective

The following new/revised standards, amendments and interpretations have been issued but were not yet effective for the financial year beginning on 1 January 2015 and have not been adopted early by the Group:

Effective for accounting periods beginning on or after 1 January 2016

Annual Improvements Project	Annual Improvements 2012–2014 Cycle
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.4 Changes in accounting policy and disclosures (Continued)

(c) New standards, amendments to standards and interpretation that have been issued but were not yet effective (Continued)

Effective for accounting periods beginning on or after 1 January 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the 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 Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The 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 to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. 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 Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

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

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes direct attributable costs of investment. Cost also includes capital contribution relating to EIS and share option for investments in subsidiaries. The results of subsidiaries and associates are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries and associates 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 statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss.

2.4 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 Board of Directors of the Company that makes strategic decisions.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HK$ and the consolidated financial statements are presented in RMB which is the Group's presentation currency (Note 2.1.2).

(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 profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to the consolidated statement of profit or loss.

2.6 Land use rights

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 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 profit or loss 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:

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Power generating modules and equipment	25 years
Plant and machinery	5–8 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	4–5 years

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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 buildings and the costs of plant and machinery. 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 other 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 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 profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed, any surplus resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of profit or loss. On the other hand, if the fair value of the property, plant and equipment decreased, the decrease is recognised in the consolidated statement of profit or loss.

2.8 Intangible assets

Intangible assets comprise concession rights which represent rights to develop, acquire and operate certain solar power plants. Concession rights acquired in a business combination are initially recognised at fair value. The concession rights will be redesignated to property, plant and equipment when the relevant solar power plants are developed, acquired or operated by the Group. Concession rights are subsequently carried at cost less accumulated impairment losses, if any.

2.9 Assets held-for-sale

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets held-for-sale are stated at the lower of carrying amount and fair value less costs of disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets and liabilities

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The Group's financial liabilities are classified as financial liability at fair value through profit or loss or financial liabilities at amortised cost. The classification depends on the purpose for which the financial assets and financial liabilities are acquired. Management determines the classification of its financial assets and financial liabilities at initial recognition.

(a) *Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Balances in this category are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

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.

(c) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. 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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of 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 Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established.

2.12 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 amounts 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.

2.13 Impairment of financial assets

The 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

For loans and receivables category, 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 asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for electricity sold or services performed 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), 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 provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade 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.

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

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (generally over 6 months) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.21 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserves. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Compound financial instruments issued by the Group also comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued may vary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Compound financial instruments (Continued)

The liability component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of all derivatives. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Derivatives are carried at fair value subsequently, with changes in fair value presented to the consolidated statement of profit or loss in the period in which they arise.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, 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 is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in the 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 date of statement of financial position 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the 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 and associates 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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Pension obligations

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC 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 Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(b) Employee leaves entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of statement of financial position. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options, shares and convertible bonds) of the Group. The fair value of the employee services received in exchange for the grant of the options, shares and convertible bonds is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

After vesting, when the share options are forfeited prior to the expiry date, the amount previously recognised in the "Share-based payment reserve" will be transferred to the "Accumulated losses" within the consolidated statement of changes in equity.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

(c) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.25 Provisions

Provisions are recognised when the 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The 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 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 Group will comply with all attached conditions, if any.

(c) Sales of goods — solar energy related products

Revenue from sale of solar energy related products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Interest income

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight- line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) the entity is controlled or jointly controlled by a person identified in (a) above.

(vii) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group (or of a parent of the Group).

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for a similar services. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the consolidated statement of profit or loss.

Where guarantees in relation to loans of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC and Hong Kong. Most of the transactions for the PRC reporting entities are denominated in RMB and HK$, whereas that for Hong Kong reporting entities are denominated in HK$ and United States dollar ("US$"). The Group is exposed to foreign exchange risk primarily through financing, capital expenditure and expenses transactions that are denominated in a currency other than RMB, which are the functional currencies of the major subsidiaries of the Group. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

For transactions or balances denominated in US$, as US$ are reasonably stable against the HK$ under the Linked Exchange Rate System, the directors are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

At 31 December 2015, if HK$ had strengthened/weakened by 5% (2014: 5%) against RMB with all other variables held constant, profit for the year would have been approximately RMB1,479,000 higher/lower (2014: profit for the year would have been approximately RMB4,372,000 higher/lower) mainly as a result of net foreign exchange impact on transaction of HK$ denominated deposits in banks.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(ii) Cash flow and interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

Except for the cash held at bank, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate any significant impact resulting from changes in interest-bearing assets.

At 31 December 2015, if interest rates on bank and other borrowings had been 50 basis points (2014: 50 basis points) higher/lower with all other variables held constant, profit for the year would have been approximately RMB22,968,000 lower/higher (2014: RMB8,975,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivable and deposits with banks and financial institutions.

As at 31 December 2015, the Group has concentration of credit risk as 73% (2014: 99%) of its trade and tariff adjustment receivables were due from two largest customers (2014: three), which were mainly state-owned enterprises. Considering the track record of regular repayment of trade receivables and based on the Group's experience with respect to the collection of tariff adjustment receivables, which is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant.

The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issue of new shares, bank and other borrowings and convertible bonds.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 year to 2 years** RMB'000	**Between 2 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
At 31 December 2015					
Trade payables	**89,638**	**–**	**–**	**–**	**89,638**
Other payables and accruals	**1,792,566**	**–**	**–**	**–**	**1,792,566**
Amounts due to associates	**25,328**	**–**	**–**	**–**	**25,328**
Bank and other borrowings and corresponding interests	**903,483**	**1,044,604**	**1,759,468**	**2,477,708**	**6,185,263**
Convertible bonds and corresponding interests	**1,249,643**	**145,879**	**2,719,855**	**–**	**4,115,377**
	4,060,658	**1,190,483**	**4,479,323**	**2,477,708**	**12,208,172**
At 31 December 2014 (Restated)					
Trade payables	186	–	–	–	186
Other payables and accruals	1,677,969	–	–	–	1,677,969
Amounts due to associates	30,199	–	–	–	30,199
Bank and other borrowings and corresponding interests	562,672	303,512	865,099	950,554	2,681,837
Convertible bonds and corresponding interests	36,682	1,027,109	183,774	–	1,247,565
	2,307,708	1,330,621	1,048,873	950,554	5,637,756

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the 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 Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may issue new shares, medium-term notes or convertible bonds, sell assets or obtain bank and other borrowings.

The 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 current and non-current bank and other borrowings, construction costs payable and convertible bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **RMB'000**	2014 RMB'000 (Restated)
Bank and other borrowings	**5,009,599**	2,130,689
Construction costs payable	**1,442,416**	1,540,317
Convertible bonds	**2,910,959**	826,191
	9,362,974	4,497,197
Less: cash and cash equivalents	**(947,154)**	(212,672)
Net debts	**8,415,820**	4,284,525
Total equity	**2,229,954**	1,483,750
Total capital	**10,645,774**	5,768,275
Gearing ratio	**79.05%**	74.28%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the fair value hierarchy of the Group's financial assets and liabilities that were measured at fair value at 31 December 2015 and 2014.

	Level 3	
	2015	2014
	RMB'000	RMB'000 (Restated)
Assets		
Financial assets at fair value through profit and loss		
— Call Option (Note 19)	**120,890**	–
— Guaranteed electricity output (Note 19)	**–**	76,356
Liabilities		
Contingent consideration payables (Note 26)	**580,691**	696,536
Other financial liabilities derivatives:		
— Put Option (Note 17)	**21,262**	55,803
— Derivative portion of convertible bonds (Note 25)	**108,527**	42,773

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Guaranteed electricity output was estimated based on the shortfall of electricity pursuant to sale and purchase agreement mutually agreed between the relevant parties.
- See relevant disclosures on fair valuation of Call Option (Note 19), contingent consideration payables (Note 26), Put Option (Note 17) and derivative portion of the convertible bonds (Note 25).

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Financial assets at fair value through profit or loss		Financial liabilities at fair value through profit or loss		
	Call Option RMB'000	Guaranteed electricity output RMB'000	Contingent consideration payables RMB'000	Put Option RMB'000	Derivative portion of convertible bonds RMB'000
Opening balance	–	76,356	(696,536)	(55,803)	(42,773)
Issuance of convertible bonds	–	–	–	–	(331,495)
Initial recognition of Call Option in the consolidated statement of profit or loss	111,388	–	–	–	–
Fair value gain/(loss) recognised in the consolidated statement of profit or loss	9,502	(76,356)	159,362	34,541	278,876
Exchange difference	–	–	(43,517)	–	(13,135)
Closing balance	120,890	–	(580,691)	(21,262)	(108,527)
Total gains/(losses) for the year included in the consolidated statement of profit or loss for assets held/liabilities assumed at the end of the year	120,890	(76,356)	159,362	34,541	278,876
Change in unrealised gains/(losses) for the year included in the consolidated statement of profit or loss at the end of the year	120,890	(76,356)	159,362	34,541	278,876

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss		
	Guaranteed electricity output RMB'000 (Restated)	Contingent consideration payables RMB'000 (Restated)	Put Option RMB'000 (Restated)	Derivative portion of convertible bonds RMB'000 (Restated)
Opening balance	74,000	(978,433)	(128,770)	(203,241)
Fair value gain recognised in the consolidated statement of profit or loss	101,146	286,221	72,967	161,739
Settlements	(98,790)	–	–	–
Exchange difference	–	(4,324)	–	(1,271)
Closing balance	76,356	(696,536)	(55,803)	(42,773)
Total gains for the year included in the consolidated statement of profit or loss for assets held/liabilities assumed at the end of the year	101,146	286,221	72,967	161,739
Change in unrealised gains for the year included in the consolidated statement of profit or loss at the end of the year	101,146	286,221	72,967	161,739

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. Volatility is the main significant unobservable input. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 31 December		Valuation techniques	Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2015 RMB'000	2014 RMB'000 (Restated)				**2015 RMB'000**	2014 RMB'000 (Restated)
Financial assets at fair value through profit or loss							
— Guaranteed electricity output	**–**	76,356	Based on the estimated shortfall of electricity pursuant to sale and purchase agreement	N/A	– –	**–** **–**	– –
— Call Option	**120,890**	–	Binomial model	Volatility	+5% -5%	**11,162** **(11,325)**	– –
Financial liabilities at fair value through profit or loss							
— Contingent consideration payables	**(580,691)**	(696,536)	Binomial model	Volatility	+5% -5%	**(2,328)** **11,184**	(8,647) 8,735
				Share price	+HK$0.10 -HK$0.10	**(34,056)** **37,373**	(56,350) 53,558
— Put Option	**(21,262)**	(55,803)	Binomial model	Volatility	+5% -5%	**(1,525)** **1,440**	(4,611) 4,709
				Share price	+HK$0.10 -HK$0.10	**(1,125)** **404**	(7,489) 6,355
— Derivative portion of convertible bonds	**(108,527)**	(42,773)	Binomial model	Volatility	+5% -5%	**(22,496)** **23,527**	(10,049) 7,894
				Share price	+HK$0.10 -HK$0.10	**(42,455)** **35,774**	(14,201) 12,015

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Sensitivity analysis of observable and unobservable inputs (Continued)

Except for the liability component of the convertible bonds which are carried at amortised cost, the carrying amounts of all financial assets and financial liabilities of the Group approximated their fair values as at 31 December 2015 (2014: same).

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
	RMB'000	**RMB'000**	RMB'000	RMB'000
			(Restated)	(Restated)
Financial Liabilities				
Convertible bonds carried at amortised cost	**2,802,432**	**3,053,378**	783,418	918,219

The fair values of the liability portion of the convertible bonds carried at amortised cost were within level 3 of the fair value hierarchy and were determined by discounted cash flow using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflects the credit risk of the Company.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 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.

(a) Purchase accounting

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

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(b) Impairment of intangible asset

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

(c) Useful lives of property, plant and equipment

The Group 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.

(d) Fair value of contingent consideration payables and other financial instruments

The fair value of contingent consideration payables, financial assets at fair value through profit or loss, financial liability at fair value through profit or loss and derivatives in relation to convertible bonds was determined by using various valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates and fair value of the Company's shares, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

5 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

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

For the year ended 31 December 2015, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2014: same).

The geographical analysis of the Group's non-current assets (excluding deposits for investments, pledged guarantee deposits relating to borrowings, value-added tax recoverable and financial assets at fair value through profit or loss) is as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
The PRC	**8,733,918**	5,917,981
Hong Kong	**435**	544
	8,734,353	5,918,525

For the year ended 31 December 2015, there were four customers (2014: three) which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from each of these customers was as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
— Customer A	**265,328**	156,604
— Customer B	**194,809**	140,043
— Customer C	**–**	80,757
— Customer D	**102,523**	–
— Customer E	**204,092**	–

6 SALES OF SOLAR ENERGY RELATED PRODUCTS

During the year, the Group recognised sales of solar modules to contractors for certain projects under construction.

Notes to the Financial Statements

7 EMPLOYEE BENEFITS EXPENSES

(a) Employee benefits expenses (including Directors' emoluments)

	2015	2014
	RMB'000	RMB'000
		(Restated)
Salaries, wages and bonuses	**41,172**	27,047
Contributions to retirement contribution plan	**3,547**	1,070
Share-based payment expenses (Note 23)	**25,017**	25,100
	69,736	53,217

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company, whose emoluments are included in the disclosure set out in Note 7(c) below. The emolument of the remaining three (2014: three) highest paid individual is as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Salaries	**3,839**	1,756
Retirement benefit scheme contributions	**24**	21
Share-based payment expenses	**2,387**	2,468
	6,250	4,245

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**1**	3
HK$2,000,001–HK$2,500,000	**–**	–
HK$2,500,001–HK$3,000,000	**1**	–
HK$3,000,001–HK$3,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

7 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments

The emoluments paid or payable to each of directors were as follows:

For the year ended 31 December 2015

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	RMB'000	Total RMB'000
Executive director:							
Mr. Li, Alan	**161**	**1,932**	**–**	**14**	**2,718**	**–**	**4,825**
Mr. Lu Zhenwei (i)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Ms. Qiu Ping, Maggie (iii)	**52**	**332**	**–**	**5**	**398**	**–**	**787**
Mr. Li Hong (iv)	**52**	**332**	**–**	**5**	**323**	**–**	**712**
Non-executive director:							
Academician Yao Jiannian	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Mr. Tang Wenyong (v)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Yang Baiqian (vi)	**3**	**–**	**–**	**–**	**–**	**–**	**3**
Ms. Qiu Ping, Maggie (iii)	**109**	**632**	**1,207**	**9**	**797**	**–**	**2,754**
Independent non-executive director:							
Mr. Kwan Kai Cheong	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Mr. Yen Yuen Ho, Tony	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Mr. Shi Dinghuan	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Mr. Ma Kwong Wing	**161**	**–**	**–**	**–**	**–**	**–**	**161**
Total	**1,182**	**3,228**	**1,207**	**33**	**4,236**	**–**	**9,886**

Notes to the Financial Statements

7 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

The emoluments paid or payable to each of directors were as follows:

For the year ended 31 December 2014 (restated)

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payment expenses RMB'000	RMB'000	Total RMB'000
Executive director:							
Mr. Li, Alan	158	1,900	–	13	2,284	–	4,355
Mr. Lu Zhenwei (i)	–	–	–	–	–	–	–
Non-executive director:							
Academician Yao Jiannian	158	–	–	–	–	–	158
Mr. Yang Baiqian (i)	–	–	–	–	–	–	–
Ms. Qiu Ping, Maggie	158	950	24	13	914	–	2,059
Mr. Wu Zhenmian (ii)	78	–	–	–	–	–	78
Independent non-executive director:							
Mr. Kwan Kai Cheong	158	–	–	–	–	–	158
Mr. Ching Kwok Ho, Samuel (ii)	47	–	–	–	–	–	47
Mr. Yen Yuen Ho, Tony	158	–	–	–	–	–	158
Mr. Shi Dinghuan	158	–	–	–	–	–	158
Mr. Ma Kwong Wing	158	–	–	–	–	–	158
Total	1,231	2,850	24	26	3,198	–	7,329

7 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

Notes:

(i) Agreed to waive their entitlement to director's fee for the year ended 31 December 2015 (2014: same)

(ii) Retired on 27 June 2014

(iii) Re-designated as an executive director on 28 August 2015

(iv) Appointed on 28 August 2015

(v) Appointed on 24 December 2015

(vi) Agreed to waive his entitlement to director's fee from 1 January 2015 to 24 December 2015 (date of resignation) (2014: same)

(vii) None of the directors received remunerations in respect of accepting office as directors (2014: same).

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: Nil).

(e) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2014: Nil).

(f) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2014: Nil).

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2014: Nil).

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

Notes to the Financial Statements

8 OTHER EXPENSES

Other expenses comprise the following items:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Auditor's remuneration		
— Audit services	**2,415**	2,217
— Non-audit services	**64**	1,361
Foreign exchange differences	**4,072**	(1,427)
Operating lease rentals	**6,331**	1,921
Travelling	**11,223**	5,643
Others	**19,768**	6,224
	43,873	15,939

9 FINANCE INCOME

	2015	2014
	RMB'000	RMB'000
		(Restated)
Imputed interest income on pledged guarantee deposits	**2,219**	22
Interest income on bank balances and deposits	**7,027**	705
Subsequent fair value gain on derivative portion of convertible bonds (Note 25)	**278,876**	161,739
	288,122	162,466

10 FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
		(Restated)
In relation to bank and other borrowings:		
— Amortisation of loan facilities fees	**25,854**	591
— Interest expenses	**196,145**	93,983
In relation to convertible bonds (Note 25):		
— Day 1 fair value loss on issue of convertible bonds	**49,743**	–
— Amortisation of unrealised fair value loss of issue of convertible bonds	**64,549**	63,488
— Imputed interest expense on convertible bonds	**301,243**	148,707
	637,534	306,769

11 INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for the year (2014: Nil).

The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. During the year, fourteen subsidiaries of the Group which are engaged in the development, investment, operation and management of solar power plants have obtained the relevant preferential tax concession. Seven newly acquired subsidiaries during the year which are also engaged in the development, investment, operation and management of solar power plants are expected to obtain the preferential tax concession in the near future. They are fully exempted from the PRC corporate income tax for the first three years after obtaining the concession, followed by a 50% tax exemption for the next three years.

The applicable tax rate during the year for all the subsidiaries which have already obtained the concession was 0% (2014: 0%).

The amount of tax credited to the consolidated statement of profit or loss represented:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Current income tax		
— Over-provision in prior years	**–**	(30)

The tax on the Group's profit before income tax less share of profits of associates differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**373,262**	498,550
Less: share of profits of associates	**(3,893)**	(15,127)
	369,369	483,423
Calculated at a tax rate of 16.5% (2014: 16.5%)	**60,946**	79,765
Effect of different tax rates of subsidiaries operating in other jurisdictions	**39,076**	18,467
PRC tax concession	**(50,528)**	(49,696)
Expenses not deductible for tax purposes	**76,308**	99,748
Income not subject to tax	**(80,144)**	(89,361)
Temporary differences not recognised	**(51,453)**	(62,462)
Tax loss for which no deferred income tax amount was recognised	**5,795**	3,539
Over-provision in prior years	**–**	(30)
Income tax credit	**–**	(30)

Notes to the Financial Statements

12 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2015 (2014: same).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014 (Restated)
Profit/(loss) attributable to shareholders of the Company (RMB'000)		
— From continuing operations	**360,670**	490,284
— From discontinued operation	**–**	(238,420)
	360,670	251,864
Weighted average number of ordinary shares in issue (thousand shares)	**4,533,192**	4,084,966
Basic earnings/(loss) per share (RMB cents)		
— From continuing operations	**7.96**	12.00
— From discontinued operation	**–**	(5.83)
	7.96	6.17

(b) Diluted

Diluted earnings/(loss) per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2015, the Group has five (2014: five) categories of dilutive potential ordinary shares: convertible bonds (Note 25), share option (Note 23(c)), EIS (Note 23(d)), Put Option (Note 17) and contingent consideration payables (Note 26) (2014: convertible bonds, share option, EIS, Put Option and contingent consideration payables). The convertible bonds and contingent consideration payables were assumed to have been converted into ordinary shares, and the net profit/(loss) has been adjusted to eliminate the interest expense, amortisation of unrealised fair value loss of issue of convertible bonds and fair value change less the tax effect. For the share option and EIS, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share option and EIS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option and EIS.

The Put Option was assumed to have been exercised by the holder and to be settled by way of issue of the Company's shares. The net profit has been adjusted to eliminate the fair value change less the tax effect and to additionally share the results of an associate.

13 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

	2015	2014 (Restated)
Earnings (RMB'000)		
Profit from continuing operations attributable to shareholders of the Company	**360,670**	490,284
Assumed conversion/exercise of certain convertible bonds, contingent consideration payables, Put Option and EIS (2014: contingent consideration payables, Put Option and EIS)		
Adjustments for:		
Certain convertible bonds		
— Imputed interest expenses	**102,163**	–
— Subsequent remeasurement gains	**(236,385)**	–
Contingent consideration payables		
— Fair value gain	**(159,362)**	(286,221)
Put Option		
— Fair value gain	**(34,541)**	(73,667)
— Additional share of results of an associate	**13,112**	18,991
Adjusted profit from continuing operations attributable to shareholders of the Company used to determine the diluted earnings per share	**45,657**	149,387
Loss from discontinued operation attributable to shareholders of the Company	**–**	(238,420)
	45,657	(89,033)
Weighted average number of ordinary shares in issue (thousand shares)	**4,533,192**	4,084,966
Adjustments for:		
— Assumed conversion of certain convertible bonds	**558,848**	–
— Assumed exercise of contingent consideration payables	**807,944**	807,944
— Assumed exercise of Put Option	**179,334**	178,457
— Assumed exercise of EIS	**11,416**	84,223
	6,090,734	5,155,590
Diluted earnings/(loss) per share attributable to the shareholders of the Company (RMB cents)		
— From continuing operations	**0.75**	2.90
— From discontinued operation	**–**	(4.63)
	0.75	(1.73)

Certain convertible bonds and share option were not assumed to be converted/exercised as they would have an anti-dilutive impact to the profit from continuing operations attributable to the shareholders of the Company per share, for the year ended 31 December 2015 (2014: same).

Notes to the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (Restated)	Power generating modules and equipment RMB'000 (Restated)	Plant and machinery RMB'000 (Restated)	Furniture, fixtures and office equipment RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Construction in-progress RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 January 2014							
Cost	149,869	1,513,464	300,229	7,645	2,968	211,851	2,186,026
Accumulated depreciation	(21,943)	(28,836)	(115,734)	(4,810)	(1,463)	–	(172,786)
Net book amount	127,926	1,484,628	184,495	2,835	1,505	211,851	2,013,240
Year ended 31 December 2014							
Opening net book amount	127,926	1,484,628	184,495	2,835	1,505	211,851	2,013,240
Acquisition of subsidiaries	–	3,384,008	–	528	1,639	–	3,386,175
Additions	–	34,122	–	3,405	109	33,638	71,274
Depreciation charge	(6,353)	(147,437)	(26,173)	(1,370)	(759)	–	(182,092)
Disposal of subsidiaries	(101,997)	(254,906)	(10,527)	(731)	(443)	(169,571)	(538,175)
Disposals	–	–	–	(1)	–	–	(1)
Transfer	–	48,929	24,088	–	–	(73,017)	–
Transfer from intangible assets	–	195	–	–	–	–	195
Impairment charge	–	–	(169,564)	–	–	–	(169,564)
Exchange difference	–	–	–	1	2	–	3
Closing net book amount	19,576	4,549,539	2,319	4,667	2,053	2,901	4,581,055
At 31 December 2014							
Cost	26,991	4,716,737	4,217	6,516	2,842	2,901	4,760,204
Accumulated depreciation and impairment	(7,415)	(167,198)	(1,898)	(1,849)	(789)	–	(179,149)
Net book amount	19,576	4,549,539	2,319	4,667	2,053	2,901	4,581,055

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Power generating modules and equipment RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in-progress RMB'000	Total RMB'000
Year ended 31 December 2015								
Opening net book amount	**19,576**	**–**	**4,549,539**	**2,319**	**4,667**	**2,053**	**2,901**	**4,581,055**
Acquisition of subsidiaries (Note 31)	**–**	**–**	**2,997,988**	**–**	**77**	**1,464**	**–**	**2,999,529**
Additions	**–**	**1,009**	**–**	**1,761**	**14,116**	**997**	**63,425**	**81,308**
Depreciation charge	**(1,210)**	**(168)**	**(236,185)**	**(495)**	**(3,303)**	**(815)**	**–**	**(242,176)**
Exchange difference	**–**	**–**	**–**	**–**	**13**	**21**	**–**	**34**
Closing net book amount	**18,366**	**841**	**7,311,342**	**3,585**	**15,570**	**3,720**	**66,326**	**7,419,750**
At 31 December 2015								
Cost	**26,991**	**1,009**	**7,714,725**	**5,978**	**20,745**	**5,353**	**66,326**	**7,841,127**
Accumulated depreciation	**(8,625)**	**(168)**	**(403,383)**	**(2,393)**	**(5,175)**	**(1,633)**	**–**	**(421,377)**
Net book amount	**18,366**	**841**	**7,311,342**	**3,585**	**15,570**	**3,720**	**66,326**	**7,419,750**

Note: As at 31 December 2015, power generating modules and equipment with carrying values of RMB4,002,233,000 (2014: RMB2,808,280,000) were pledged as security for the Group's bank borrowings of RMB2,867,000,000 (2014: RMB1,880,000,000) and RMB2,542,519,000 (2014: RMB492,461,000) were pledged as security for the Group's loans from leasing companies of RMB1,726,578,000 (2014: RMB220,000,000) (Note 24).

Notes to the Financial Statements

15 INTANGIBLE ASSETS

	Concession rights RMB'000
At 1 January 2014 (restated)	
Cost	1,949,950
Accumulated impairment	(652,728)
Net book amount	1,297,222
Year ended 31 December 2014 (restated)	
Opening net book amount	1,297,222
Redesignation in relation to the step acquisition of a subsidiary:	
— As an associate	(136,500)
— Step acquisition as a subsidiary	(171,103)
Redesignated to property, plant and equipment	(195)
Closing net book amount	989,424
At 31 December 2014 (restated)	
Cost	1,642,152
Accumulated impairment	(652,728)
Net book amount	989,424
Year ended 31 December 2015	
Opening net book amount	**989,424**
Redesignation in relation to acquisition of subsidiaries (Note 31)	**(39,643)**
Closing net book amount	**949,781**
At 31 December 2015	
Cost	**1,602,509**
Accumulated impairment	**(652,728)**
Net book amount	**949,781**

(i) In June 2013, the Group acquired concession rights from various vendors, including GCL-Poly Investment Limited ("GCL"), New Energy Exchange Limited (previously known as Renewable Energy Trade Board Corporation ("NEX")), Talesun Solar Hong Kong Limited ("Talesun") and other independent third parties, to develop and operate various solar power plant projects. As at 31 December 2015, the carrying amount of these concession rights amounted to approximately RMB950 million, of which approximately RMB617 million (in relation to the framework agreement signed between the Group, GCL and NEX ("Framework Agreement")) will expire in November 2017 and majority of the remaining RMB333 million will expire in August 2018. The Group has been in discussions with respective vendors and intends to exercise these concession rights and will acquire more solar power plants before their expiry.

(ii) In March 2016, the Group, GCL and NEX have entered into a supplemental agreement to the Framework Agreement whereby GCL and NEX agreed to jointly execute GCL's obligation to provide solar power plant projects under the concession rights given to the Group under the Framework Agreement.

15 INTANGIBLE ASSETS (Continued)

(iii) For the purpose of annual impairment test for concession rights, management prepared its pre-tax cash flow projection covering a twenty-five-year period, where the useful lives of solar power plants are generally assessed to be of 25 years, to determine the recoverable amount, which has been determined based on fair value less costs of disposal, as at 31 December 2015. The fair value measurement was categorised under level 3 fair value hierarchy. The recoverable amount was higher than its carrying value as at 31 December 2015, and therefore no impairment was considered necessary.

The key assumptions used for the pre-tax cash flow projections, which are based on past experience of the Group and external sources of market information, are as follows:

	2015	2014
Capacity (Note (a))	**1.9GW**	2.0GW
Insolation hours (Geographical)	**1,244MWh/MWp–1,936MWh/MWp**	1,370MWh/MWp–1,680MWh/MWp
Degradation factor	**0.8% per annum**	0.8% per annum
Electricity tariff	**RMB0.8/KWh–RMB1.26/KWh**	RMB0.7/KWh–RMB3.7/KWh
Discount rate	**8.5%**	8.5%–10.0%
Construction costs (Note (b))		
— Rooftop projects	**RMB9/W–RMB9.7/W**	RMB10/W
— Ground projects	**RMB8/W–RMB10.7/W**	RMB9/W–RMB10.2/W

Notes:

(a) Drop in capacity was mainly due to the acquisition of certain solar power plants in relation to the concession rights held by the Group as at 31 December 2014.

(b) Except certain projects for which the acquisition price will be based on an internal rate of return calculation.

Notes to the Financial Statements

16 SUBSIDIARIES

(a) Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name of company	Place of incorporation/ registration/operation and kind of legal entity	Particulars of issued share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
China Solar Power Group Limited ("CSPG")	British Virgin Islands ("BVI"), limited liability company	Issued and fully paid: US$5,750,000	–	100%	Investment holding
China Technology New Energy Ltd	BVI, limited liability company	Issued and fully paid: US$1	–	100%	Possession of exclusive rights in developing rooftop solar plants
New Light Technology Limited	Hong Kong, limited liability company	Issued and fully paid: HK$10,000	–	100%	Investment holding
United Photovoltaics (Changzhou) Investment Limited	The PRC, limited liability company	Registered: HK$4,000,000,000 Paid up: HK$2,621,446,731	–	100%	Investment holding
United Photovoltaics (Shenzhen) Limited	The PRC, limited liability company	Registered: HK$300,000,000 Paid up: HK$162,000,000	–	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Zhongli (Jiayuguan) Photovoltaic Power Co., Limited	The PRC, limited liability company	Registered and paid up: RMB271,785,558	–	100%	Development, investment, operation and management of solar power plants
Zhongli Gonghe Photovoltaic Power Co., Limited	The PRC, limited liability company	Registered: RMB200,000,000 Paid up: RMB86,000,000	–	100%	Development, investment, operation and management of solar power plants
Hainanzhou Yahui New Energy Power Company Limited	The PRC, limited liability company	Registered and paid up: RMB351,000,000	–	100%	Development, investment, operation and management of solar power plants

16 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2015 are as follows: (Continued)

Name of company	Place of incorporation/ registration/operation and kind of legal entity	Particulars of issued share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Zhongli Talesun Gonghe New Energy Limited	The PRC, limited liability company	Registered and paid up: RMB342,000,000	–	100%	Development, investment, operation and management of solar power plants
Guodian Tuoketuo County Solar Power Company Limited ("Tuoketuo")	The PRC, limited liability company	Registered: RMB112,000,000 Paid up: RMB80,000,000	–	92.7%	Development, investment, operation and management of solar power plants
Guodian Chahaeryouyiqianqi Solar Power Company Limited ("Chahaeryouyiqianqi")	The PRC, limited liability company	Registered: RMB133,000,000 Paid up: RMB100,000,000	–	90.07%	Development, investment, operation and management of solar power plants
Guodian Wulatehouqi Solar Power Company Limited ("Wulatehouqi")	The PRC, limited liability company	Registered: RMB129,000,000 Paid up: RMB80,000,000	–	94%	Development, investment, operation and management of solar power plants
Hami Huiteng Photovoltaic Company Limited	The PRC, limited liability company	Registered: RMB405,000,000 Paid up: RMB310,000,000	–	51%	Development, investment, operation and management of solar power plants
Turpan Zhongli Talesun Photovoltaic Company Limited	The PRC, limited liability company	Registered: RMB370,000,000 Paid up: RMB50,000,000	–	51%	Development, investment, operation and management of solar power plants
Minfeng County Angli Photovoltaic Technology Company Limited	The PRC, limited liability company	Registered and paid up: RMB150,000,000	–	90.9%	Development, investment, operation and management of solar power plants
Guodian Chahaeryouyiqianqi Second Solar Power Company Limited	The PRC, limited liability company	Registered: RMB102,000,000 Paid up: RMB49,558,000	–	99%	Development, investment, operation and management of solar power plants

Notes to the Financial Statements

16 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2015 are as follows: (Continued)

Name of company	Place of incorporation/ registration/operation and kind of legal entity	Particulars of issued share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Guodian Kezuozhongqi Photovoltaics Company Limited ("Kezuozhongqi")	The PRC, limited liability company	Registered: RMB169,700,000 Paid up: RMB34,000,000	–	99.4%	Development, investment, operation and management of solar power plants
Guodian Shangdu County Second Photovoltaics Company Limited	The PRC, limited liability company	Registered: RMB147,170,000 Paid up: RMB80,402,000	–	99.31%	Development, investment, operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Company Limited	The PRC, limited liability company	Registered and paid up: RMB250,000,000	–	100%	Development, investment, operation and management of solar power plants

Notes:

(i) The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

(ii) The cash and cash equivalents of approximately RMB711,679,000 (2014: RMB174,352,000) held by the PRC subsidiaries were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

(b) Material non-wholly owned subsidiaries

As at 31 December 2015, the Group had ten non-wholly owned subsidiaries (2014: four). The total non-controlling interest for the year was approximately RMB104,631,000. At the end of each reporting date, the Group re-assessed those subsidiaries that have non-controlling interests that are considered material to the Group based on their relative size in terms of total assets, revenue and profit. The accumulated non-controlling interests of the material subsidiaries were as follows:

	2015 **RMB'000**	2014 RMB'000 (Restated)
Changzhou Guangyu New Energy Company Limited ("Changzhou Guangyu")	**34,106**	–
Chahaeryouyiqianqi	**23,670**	19,875
Tuoketuo	**14,016**	12,430

16 SUBSIDIARIES (Continued)

(b) Material non-wholly owned subsidiaries (Continued)

Set out below are the summarised financial information for those subsidiaries that have non-controlling interests that are considered to be material to the Group.

	Changzhou Guangyu RMB'000	Chahaeryouyi-qianqi RMB'000	Tuoketuo RMB'000
Assets and liabilities as at 31 December 2015			
Current assets	**233,200**	**164,832**	**290,292**
Non-current assets	**776,426**	**490,615**	**401,276**
Current liabilities	**(547,574)**	**(112,474)**	**(260,426)**
Non-current liabilities	**(92,348)**	**(363,375)**	**(294,887)**
Profit or loss for the year ended 31 December 2015			
Revenue	**58,605**	**67,749**	**51,674**
Profit for the year	**12,543**	**29,145**	**14,584**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**12,543**	**29,145**	**14,584**
Profit allocated to non-controlling interests	**6,146**	**3,796**	**1,586**
Dividends paid to non-controlling interests	**17,326**	**–**	**–**
Cash flows for the year ended 31 December 2015			
Net cash generated from operations	**19,903**	**37,521**	**56,951**
Net cash used in investing activities	**(300,403)**	**(417,584)**	**(138,415)**
Net cash generated from financing activities	**288,721**	**374,406**	**79,765**
Net increase/(decrease) in cash and cash equivalents	**8,221**	**(5,657)**	**(1,699)**

Notes to the Financial Statements

16 SUBSIDIARIES (Continued)

(b) Material non-wholly owned subsidiaries (Continued)

	Chahaeryouyi-qianqi RMB'000 (Restated)	Tuoketuo RMB'000 (Restated)	Wulatehouqi RMB'000 (Restated)
Assets and liabilities as at 31 December 2014			
Current assets	93,678	71,293	70,900
Non-current assets	522,467	403,632	423,064
Current liabilities	(462,317)	(350,846)	(371,603)
Non-current liabilities	(3,375)	(2,408)	(1,518)
Profit or loss for the year ended 31 December 2014			
Revenue	53,561	42,606	43,877
Profit for the year	31,559	25,638	27,656
Other comprehensive income	–	–	–
Total comprehensive income	31,559	25,638	27,656
Profit allocated to non-controlling interests	4,169	2,619	2,674
Dividends paid to non-controlling interests	–	–	–
Cash flows for the year ended 31 December 2014			
Net cash generated from operations	3,380	4,717	4,149
Net cash used in investing activities	(3,353)	(2,967)	(11,080)
Net cash used in financing activities	–	–	–
Net increase/(decrease) in cash and cash equivalents	27	1,750	(6,931)

The information above was the amount before inter-company eliminations.

(c) Acquisition of additional interests in subsidiaries

In August 2015, the Group further acquired 2.92%, 3.28% and 3.67% equity interests in Tuoketuo, Chahaeryouyiqianqi and Wulatehouqi respectively by way of capital injection for cash consideration of RMB32,000,000, RMB33,000,000 and RMB49,000,000 respectively, while the respective non-controlling interests remained their existing capital contributed. In December 2015, the Group acquired 100% equity interest in Carbon Assets Management Limited (formerly known as Honour Sky International Limited), which holds the remaining 8.4% equity interest in China Merchants Zhangzhou Development Zone Silk Road Ark Carbon Asset Management Co., Limited* (招商局漳州開發區絲路方舟碳資產管理有限公司) for a maximum of 15,000,000 shares of the Company as consideration. 10,000,000 shares have been issued upon completion while the remaining 5,000,000 shares will be issued after fulfilling of the post-completion conditions. The difference between the fair value of consideration paid or payable and the carrying amount of the non-controlling interests amounting to approximately RMB6,664,000 (2014: Nil) was recognised in other reserve.

There were no transactions with non-controlling interests in 2014.

* The English name of the subsidiary represents the best effort by the Group's management to translate its Chinese name, as the subsidiary do not have official English name.

17 INVESTMENTS IN ASSOCIATES

	2015	2014
	RMB'000	RMB'000
		(Restated)
As 1 January	**290,627**	227,864
Fair value of consideration for the acquisitions		
— cash	**35,494**	4,500
— bargain purchase arising from acquisition	**9,634**	–
— intangible assets (Note 15)	**–**	136,500
— deferred tax liabilities (Note 28)	**–**	(27,983)
— equity interests retained arising from the disposal of a subsidiary	**–**	51,592
Disposal of Fortune Arena	**(34,608)**	–
Step acquisition of a subsidiary	**–**	(114,178)
Share of profits/(losses)		
— Continuing operations	**3,893**	15,127
— Discontinued operation	**–**	(2,795)
As 31 December	**305,040**	290,627

During the year ended 31 December 2015, the Group completed the acquisition of three associates from independent third parties. The total consideration in aggregate was RMB35,494,000, of which RMB3,747,000 is settled by deposit paid in 2014. As a result of the completion of these acquisitions, the Group recognised the bargain purchase of approximately RMB9,634,000.

In December 2015, the Group disposed of its 30% equity interest in Fortune Arena and its subsidiaries at a consideration of HK$80,000,000 (approximately RMB67,448,000). A gain on disposal of RMB32,840,000 was recognised in the consolidated statement of profit or loss.

Pursuant to the acquisition of a 50% equity interest in an associate in December 2013, the Group granted the Put Option to Huabei Expressway Co., Ltd. ("Huabei Expressway"), the shareholder of the remaining 50% equity interest in such associate ("Huabei Sales Interest"), to request the Group to acquire the Huabei Sales Interest at RMB225,000,000 with an internal rate of return of 8% per annum, to be settled by way of cash or issue of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016. The other shareholder of the associate has confirmed not requesting the Group to acquire the remaining 50% equity interest by way of cash before 31 May 2016. The Put Option was recognised as a financial liability at fair value through profit or loss. As at 31 December 2015, the fair value of the Put Option was estimated to be approximately RMB21,262,000 (2014: RMB55,803,000).

The fair value of the Put Option was determined by using the binomial model with the following key assumptions.

	2015	2014
Risk free rate	**2.52%**	3.40%
Dividend yield of the associate	**8%**	8%
Dividend yield of the shares of the Company	**0%**	0%
Life of the option	**0.99 year**	1.99 years
Volatility	**55%**	50%

Notes to the Financial Statements

17 INVESTMENTS IN ASSOCIATES (Continued)

Set out below are the particulars of the material associate of the Group as at 31 December 2015.

Name of entity	Place of establishment	% of ownership interest	Nature of business
Fengxian Huize Photovoltaic Energy Limited* ("Fengxian Huize")	The PRC	50%	Development, investment, operation and management of solar power plants

* The English name of the associate represents the best effort by the Group's management to translate its Chinese name, as the associate do not have official English name.

All associates were private companies and there were no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's interest in associates.

Set out below are the summarised financial information for Fengxian Huize.

	(Unaudited) **2015 RMB'000**	2014 RMB'000 (Restated)
Assets and liabilities as at 31 December		
Current assets	**172,242**	114,976
Non-current assets	**384,997**	411,661
Current liabilities	**(25,294)**	(20,323)
Non-current liabilities	**(17,604)**	(18,195)
Profit or loss for the year ended 31 December		
Revenue	**58,397**	60,880
Profit for the year	**26,225**	37,981
Other comprehensive income	**–**	–
Total comprehensive income	**26,225**	37,981
Dividend received from associates	**–**	–

Set out below are the summarised financial information for the remaining associates which were individually immaterial to the Group.

	2015 RMB'000	2014 RMB'000 (Restated)
Group's share on:		
— Loss for the year	**(9,219)**	(5,024)
— Other comprehensive income	**–**	–
— Total comprehensive income	**(9,219)**	(5,024)
Carrying amount of investments	**47,868**	46,567

17 INVESTMENTS IN ASSOCIATES (Continued)

As at 31 December 2015, the cash and cash equivalents of approximately RMB197,468,000 (2014: RMB68,385,000) that were held by PRC entities of the associates were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

As at 31 December 2015, the amounts due from/(to) associates were unsecured, interest-free and repayable on demand.

As at 31 December 2014, except for the amounts due to associates of RMB15,000,000 and RMB14,500,000 which were unsecured, interest-free and repayable by 12 June 2015 and 19 August 2015 respectively, the remaining amounts due from/(to) associates were unsecured, interest-free and repayable on demand.

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	RMB'000	RMB'000
		(Restated)
Non-current		
Prepayments for purchase of plant and equipment	**59,342**	56,968
Deposits for investments (Note a)	**80,000**	8,747
Pledged guarantee deposits relating to borrowings	**134,084**	18,202
Value-added tax recoverable	**467,697**	370,062
	741,123	453,979
Current		
Value-added tax recoverable	**264,998**	73,418
Other receivables, deposits and prepayments	**81,161**	27,572
Advance payment to Hareon (Note b)	**423,872**	–
	770,031	100,990
Total	**1,511,154**	554,969

(a) In December 2015, the Group entered into conditional sale and purchase agreements with an associate to acquire all the equity interests of two of the associate's subsidiaries at a consideration of RMB356 million, comprising consideration payables and assumption of EPC payables and other payables. Up to 31 December 2015, the Group has already paid RMB80 million as a deposit for the proposed acquisitions.

(b) On 15 January 2016, an arbitration proceeding has been brought by the Company against Hareon Solar Technology Company Limited (海潤光伏科技股份有限公司) ("Hareon") for, amongst others, the return of the advance payment of HK$500 million (approximately RMB424 million) paid under the cooperation agreement dated 13 May 2015 ("Cooperation Agreement") in relation to the proposed acquisitions of 930MW solar power plant projects. On 27 January 2016, a deed of assignment was entered into between the Company, Hareon and an assignee whereby all of the Group's rights, obligations and responsibilities, including the claims under the Cooperation Agreement, shall be assigned to the assignee (the "Assignee"). As at the date of approval of the consolidated financial statements, the Group has received from the assignee (i) a total sum of HK$500 million (approximately RMB424 million), being the advance payment previously made to Hareon, (ii) interest of approximately HK$28 million (RMB24 million) in accordance with the terms of the deed of assignment and (iii) the reimbursement of all the arbitration costs and legal costs incurred by the Company.

Notes to the Financial Statements

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	RMB'000	RMB'000
		(Restated)
Call Option (Note (a))	**120,890**	–
Guaranteed electricity output (Note (b))	**–**	76,356
	120,890	76,356
Less: Amount classified as non-current portion	**(120,890)**	–
Current portion	**–**	76,356

(a) Pursuant to an option agreement entered into between the Group and the majority shareholder of an associate in January 2015, the Group was granted a call option to acquire part or all of the equity interest in this associate from the majority shareholder at the actual injection amount with an internal rate of return of 8% per annum. The Call Option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer as its discretion. As at 31 December 2015, the majority shareholder held 96.68% equity interest in such associate.

The fair value of the Call Option was determined by using the binomial model with the following key assumptions:

	On inception	**As at 31 December 2015**
Risk free rate	**3.47%**	**2.61%**
Dividend yield	**0%**	**0%**
Life of the option	**3.25 years**	**2.26 years**
Volatility	**45%**	**50%**

(b) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The directors determined the fair value after considering the contractual terms, the actual shortfall in electricity generated and the outcome of recent negotiation with the relevant vendors.

20 INVENTORIES

	2015	2014
	RMB'000	RMB'000
		(Restated)
Merchandise/raw materials	**996**	996
Finished goods	**318**	318
	1,314	1,314

21 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2015	2014
	RMB'000	RMB'000
		(Restated)
Trade receivables	**212,290**	23,635
Less: Provision for impairment	**(149)**	(149)
Trade receivables — net	**212,141**	23,486
Tariff adjustment receivables	**1,009,380**	304,896
Trade and tariff adjustment receivables	**1,221,521**	328,382
Bills receivables	**6,838**	34,902
Trade, bills and tariff adjustment receivables	**1,228,359**	363,284

As at 31 December 2015, trade receivables mainly represented receivables from sales of electricity and sales of solar energy related products. Tariff adjustment receivables represented the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China based on the respective electricity sale and purchase agreements for each of the Group's solar plants and the prevailing nationwide government policies, of which approximately RMB5 million, RMB339 million and RMB665 million are in relation to the tariff adjustment for the electricity generated by the Group in 2013, 2014 and 2015, respectively.

On 25 January 2016, a notice announcement ("Notice") in relation to the registration onto the Renewable Energy Tariff Subsidy Catalogue (the "6th Batch Catalogue") was jointly issued by Ministry of Finance ("MOF"), National Development and Reform Commission ("NDRC") and National Energy Bureau ("NEB"). Pursuant to the Notice, for the solar power plants which have achieved on-grid connection before 28 February 2015 and have not registered in the previous catalogues are qualified for the registration. All existing solar power plants currently held by the Group, if not registered in the previous catalogues, are eligible for the registration and the Group has already completed the submission for registration with the Renewable Energy Information Management Centre in February 2016 according to the procedural guidance as set out in the Notice.

Based on past experience, the management believes that the registration procedures and distribution of tariff adjustment to solar power operators are of administrative in nature and expects the tariff adjustment receivables will be settled when the 6th Batch Catalogue is issued by MOF.

Notes to the Financial Statements

21 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

The ageing analysis of trade and tariff adjustment receivables was as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Not yet due	**1,063,295**	328,382
1–30 days	**158,226**	–
	1,221,521	328,382

As at 31 December 2015 and 2014, no trade and tariff adjustment receivables were past due but not impaired.

As of 31 December 2015, trade receivables which aged over 1 year of approximately RMB149,000 were impaired (2014: RMB149,000).

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

22 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2015	2014
	RMB'000	RMB'000
		(Restated)
Pledged bank deposits	**–**	61,000
Restricted cash (Note (b))	**206,150**	18,341
Cash and cash equivalents	**947,154**	212,672
	1,153,304	292,013

(a) As at 31 December 2015, the Group's bank balances of approximately RMB711,679,000 (2014: RMB174,352,000) 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.

(b) As at 31 December 2015, bank balances of RMB186,440,000 (2014: Nil) and RMB19,710,000 (2014: RMB18,341,000) were restricted deposits held at banks as reserve for bills facilities provided by a bank and the interest of the convertible bonds (Note 25), respectively.

23 SHARE CAPITAL

	Number of shares (thousands)		Share capital	
	2015	2014	**2015**	2014
			RMB'000	RMB'000 (Restated)
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January	**10,000,000**	10,000,000	**848,178**	848,178
Increase in authorised share capital (Note (a))	**10,000,000**	–	**788,990**	–
At 31 December	**20,000,000**	10,000,000	**1,637,168**	848,178
Issued and fully paid:				
At 1 January	**4,361,266**	3,468,782	**354,915**	284,416
Issue of shares through placement (Note (b))	**380,000**	480,000	**30,041**	37,762
Issue of shares on conversion of convertible bonds	**–**	372,464	**–**	29,560
Issue of shares upon transaction with a non-controlling interest (Note 16(c))	**10,000**	–	**848**	–
Issue of shares on conversion of convertible bonds held by a trustee in relation to EIS	**–**	40,020	**–**	3,177
At 31 December	**4,751,266**	4,361,266	**385,804**	354,915

(a) On 12 June 2015, a resolution was passed to increase the authorised share capital of the Company by HK$1,000 million (equivalent to approximately RMB789 million).

(b) On 10 February 2015, the Company issued 380,000,000 shares through placement with a price of HK$1.0 each. The net proceeds from the placement was approximately RMB300 million after netting off related transaction costs of approximately RMB418,000.

Notes to the Financial Statements

23 SHARE CAPITAL (Continued)

(c) Share option

On 8 January 2015, certain share options were granted under the share option scheme adopted on 19 June 2012 ("Option Scheme") to directors and employees of the Group. Details of the share options granted and movement in such holding during the year are as follows:

Date of grant	Exercisable period	Exercise price per share HK$	Granted during the year	Exercised during the year	Forfeit during the year	Outstanding 31 December 2015
Directors						
8 January 2015	8 January 2016 to 7 January 2020	1.00	7,800,000	–	(600,000)	7,200,000
8 January 2015	8 January 2017 to 7 January 2020	1.00	7,800,000	–	(600,000)	7,200,000
8 January 2015	8 January 2018 to 7 January 2020	1.00	10,400,000	–	(800,000)	9,600,000
			26,000,000	–	(2,000,000)	24,000,000
Employees						
8 January 2015	8 January 2016 to 7 January 2020	1.00	11,550,000	–	(3,210,000)	8,340,000
8 January 2015	8 January 2017 to 7 January 2020	1.00	11,550,000	–	(3,210,000)	8,340,000
8 January 2015	8 January 2018 to 7 January 2020	1.00	15,400,000	–	(4,280,000)	11,120,000
			38,500,000	–	(10,700,000)	27,800,000
			64,500,000	–	(12,700,000)	51,800,000

The recognition of compensation cost of share options is based on their fair values of the options on grant date. The fair values of share options measured at the date of grant (8 January 2015) amounted to approximately RMB17.8 million was determined by using binomial model. During the year ended 31 December 2015, share-based payment expense of approximately RMB8,567,000 (2014: Nil) was recognised in the consolidated statement of profit or loss in relation to the share option. None of the outstanding option was exercisable as at 31 December 2015 (2014: Nil).

The significant assumptions used in the model to derive the fair value were as follows:

	On 8 January 2015
Risk free rate	1.257%
Volatility	45%
Dividend yield	0%
Expected option life (year)	5
Share price	HK$1.0

23 SHARE CAPITAL (Continued)

(d) EIS of CSPG

Prior to the acquisition of CSPG by the Group in 2013, the EIS was approved by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to Sino Arena Investments Limited ("Sino Arena" or the "Trustee"), a BVI company. Sino Arena will hold the shares for and on behalf of eligible persons who are granted the shares according to the provisions of the EIS.

CSPG shares are granted to directors, employees and consultants of CSPG (collectively the "Participants") under the EIS. The exercise price of the granted shares is zero. Shares are vested to the Participants upon completing three years' services. The Participants will be entitled to 30%, 30% and 40% of the shares granted after completion of each of the three-year continuous employment, subject to the terms and conditions of the scheme.

As part of the acquisition of CSPG, 20,010,000 shares of the Company, Series A convertible bonds with a principal amount of HK$40,020,000 and Series B convertible bonds with a principal amount of HK$40,020,000 was issued to the Trustee in exchange for the CSPG shares held by the Trustee. Since the Trustee will be accounted for as a structured entity of CSPG under HKFRS, its financial results and financial position will be consolidated into the Group. Other than the portion issued for the pre-combination services rendered under EIS, these shares and convertible bonds transferred will not be considered as part of the consideration transferred as part of the acquisition. All Series A convertible bonds were converted into the ordinary shares of the Company in 2014. Those shares still held by the Trustee as at 31 December 2015 would be consolidated as own shares held by the Company.

During the year ended 31 December 2015, share-based payment expense of approximately RMB16,450,000 (2014: RMB25,100,000) was recognised in the consolidated statement of profit or loss in relation to EIS.

(e) Other reserve represented the difference between the fair value of consideration paid/payable and the carrying amount of net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling interests.

(f) The PRC companies are required to allocate 10% of their net profit to a statutory reserve fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31 December 2015, accumulated losses comprise of statutory reserve fund amounting to RMB50,848,000 (2014: RMB21,653,000).

Notes to the Financial Statements

24 BANK AND OTHER BORROWINGS

	2015			2014		
	Current portion RMB'000	**Non-current portion RMB'000**	**Total RMB'000**	Current portion RMB'000 (Restated)	Non-current portion RMB'000 (Restated)	Total RMB'000 (Restated)
Bank borrowings	**646,875**	**2,617,125**	**3,264,000**	424,000	1,456,000	1,880,000
Loans from leasing companies	**32,007**	**1,694,571**	**1,726,578**	20,994	199,006	220,000
Medium-term note	**–**	**64,947**	**64,947**	–	–	–
Loans from a third party	**55,500**	**–**	**55,500**	65,500	–	65,500
	734,382	**4,376,643**	**5,111,025**	510,494	1,655,006	2,165,500
Unamortised loan facilities fees	**(30,561)**	**(70,865)**	**(101,426)**	(6,481)	(28,330)	(34,811)
	703,821	**4,305,778**	**5,009,599**	504,013	1,626,676	2,130,689

The Group's bank and other borrowings were repayable as follows:

	2015					2014			
	Bank borrowings RMB'000	**Loans from leasing companies RMB'000**	**Medium-term note RMB'000**	**Loans from a third party RMB'000**	**Total RMB'000**	Bank borrowings RMB'000 (Restated)	Loan from a leasing company RMB'000 (Restated)	Loans from a third party RMB'000 (Restated)	Total RMB'000 (Restated)
Within 1 year	**646,875**	**32,007**	**–**	**55,500**	**734,382**	424,000	20,994	65,500	510,494
Between 1 and 2 years	**291,625**	**493,201**	**64,947**	**–**	**849,773**	176,500	22,587	–	199,087
Between 2 and 5 years	**902,000**	**444,914**	**–**	**–**	**1,346,914**	556,500	78,571	–	635,071
Over 5 years	**1,423,500**	**756,456**	**–**	**–**	**2,179,956**	723,000	97,848	–	820,848
	3,264,000	**1,726,578**	**64,947**	**55,500**	**5,111,025**	1,880,000	220,000	65,500	2,165,500

24 BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2015, bank borrowings and loans from leasing companies are secured by the following:

(i) Pledged guarantee deposits (Note 18);
(ii) power generating modules and equipment (Note 14);
(iii) pledge of the fee collection right in relation to the sales of electricity; and
(iv) mortgage over the shares in certain subsidiaries and associates.

(b) During the year, the Group entered into several sales and leaseback agreements with leasing companies for certain assets, which included power generating modules and equipment ("Secured Assets"), amounted to RMB600,000,000 (2014: RMB220,000,000). The arrangements were for a period of 10 years. Upon maturity, the Group will be entitled to purchase the Secured Assets at a minimal consideration. The Group considered that it was almost certain that it would exercise this repurchase option. As substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the transactions were regarded as secured borrowings, rather than finance lease arrangements.

(c) **Medium-term note**
On 6 November 2015, the Group issued a 7.5% medium-term note of HK$80,000,000 (equivalent to approximately RMB67,820,000). It will mature on 6 November 2017.

(d) The loans from a third party were unsecured, interest-free and repayable on demand.

(e) Bank borrowings and loans from leasing companies which bear floating interest rates that would be adjusted with reference to the benchmark lending rate issued by the People's Bank of China is as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Bank borrowings	**2,867,000**	1,575,000
Loans from leasing companies	**1,726,578**	220,000
	4,593,578	1,795,000

(f) During the year, the Group obtained a long-term loan totalling RMB600 million from a bank to finance the EPC payables of its solar power plant in Hubei, the PRC. As at 31 December 2015, the Group already drawn down a loan amount of RMB545 million. Subsequent to the date of statement of financial position, the remaining loan principal amount of RMB55 million has also been drawn down.

(g) Subsequent to the date of statement of financial position, the Group had obtained and drawn down long-term loans totalling RMB587 million from certain leasing companies to finance its EPC payables of its solar power plants in Shanxi and Yunnan Province, the PRC.

Notes to the Financial Statements

25 CONVERTIBLE BONDS

As at 31 December 2015, the Group had seven convertible bonds outstanding (2014: two). The table below summarised the details and features of these convertible bonds.

Batch	Issue date	Principal amount (thousands)	Interest rate per annum	Maturity date	Conversion price per share	Conversion period
1st	8 October 2013	US$120,000	5%	8 October 2016	HK$1.60	At any time up to 10 days prior to maturity date
2nd	27 December 2013	HK$232,959	0%	27 December 2018	HK$1.60	At any time up to maturity date
3rd	20 April 2015	HK$524,803	7.5%	20 April 2018	HK$1.03	Last day of a six-month period immediately following the issue date to 5th business days prior to maturity date
4th	29 April 2015	US$30,000	7.5%	29 April 2018	HK$1.03	Last day of a six-month period immediately following the issue date to 5th business days prior to maturity date
5th	3 June 2015	US$100,000	7.0%	3 June 2018	HK$1.3134	The day immediately following the issue date to 5 days prior to maturity date
6th	23 June 2015	US$15,000	7.5%	23 June 2018	HK$1.03	The day immediately following the issue date to 5th business days prior to maturity date
7th	29 December 2015	US$100,000	6.75%	29 December 2018	HK$1.5928	The day immediately following the issue date to 5th business days prior to maturity date

25 CONVERTIBLE BONDS (Continued)

Subject to the occurrence of any of the following events, the Company is entitled to, having given mandatory conversion notice to all bondholders, convert all the outstanding principal amount of convertible bonds into conversion shares at the conversion price then in effect:

Batch	Mandatory conversion notice period	Mandatory conversion clause
1st	Not less than 50 nor more than 65 days	On or at any time after 18 months from the issue date but not less than 14 business days prior to the maturity date and if the volume weighted average price of the shares of the Company for the 60 trading day period immediately preceding the date upon which mandatory conversion notice is given is not less than HK$2.60
2nd	N/A	N/A
3rd	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the last day of a six-month period immediately following the issue date and ending on the maturity date, the average closing price per share for any 15 consecutive trading days reaches HK$1.70 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 65% over the conversion price then in effect from time to time) or above.
4th	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the issue date up to the day immediately before the first anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$1.50 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 45.63% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the first anniversary of the issue date up to the day immediately before the second anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$1.80 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 74.76% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the second anniversary of the issue date up to maturity date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.20 per share (or if there is any adjustment of the conversion price, such other price per Share representing a premium of 113.59% over the conversion price then in effect from time to time) or above.

Notes to the Financial Statements

25 CONVERTIBLE BONDS (Continued)

Batch	Mandatory conversion notice period	Mandatory conversion clause
5th	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the issue date up to the day immediately before the first anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$1.80 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 37.05% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the first anniversary of the issue date up to the day immediately before the second anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.20 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 67.50% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the second anniversary of the issue date up to maturity date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.50 per share (or if there is any adjustment of the conversion price, such other price per Share representing a premium of 90.35% over the conversion price then in effect from time to time) or above.
6th	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the issue date up to the day immediately before the first anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$1.50 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 45.63% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the first anniversary of the issue date up to the day immediately before the second anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$1.80 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 74.76% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the second anniversary of the issue date up to maturity date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.20 per share (or if there is any adjustment of the conversion price, such other price per Share representing a premium of 113.59% over the conversion price then in effect from time to time) or above.

25 CONVERTIBLE BONDS (Continued)

Batch	Mandatory conversion notice period	Mandatory conversion clause
7th	Not less than 5 nor more than 10 business days	if at any time during the period commencing from the issue date up to the day immediately before the first anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.07 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 29.96% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the first anniversary of the issue date up to the day immediately before the second anniversary of the issue date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$2.50 per share (or if there is any adjustment of the conversion price, such other price per share representing a premium of 56.96% over the conversion price then in effect from time to time) or above; or if at any time during the period commencing from the second anniversary of the issue date up to maturity date (both dates inclusive), the closing price per share for any 15 consecutive trading days reaches HK$3.0 per share (or if there is any adjustment of the conversion price, such other price per Share representing a premium of 88.35% over the conversion price then in effect from time to time) or above.

During the year, the Company issued five 3-year convertible bonds (3rd to 7th batches) and the net proceeds from these convertible bonds were approximately RMB1,941,323,000. The conversion features of the 4th to 7th batches of convertible bonds fail the fixed-to-fixed requirement for equity classification. They contain two components, debts component and derivative component with a conversion option derivative of the holders and a callable option derivative of the Company.

Notes to the Financial Statements

25 CONVERTIBLE BONDS (Continued)

Summarised below is the movement of each portion under liabilities component during the year:

	Financial liabilities at amortised cost — debt portion	**Financial liabilities at fair value through profit or loss — derivative portion**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2014 (restated)	768,470	203,241	971,711
Interest accretion	148,707	–	148,707
Amortisation of unrealised fair value loss	63,488	–	63,488
Fair value gain recognised	–	(161,739)	(161,739)
Conversion	(161,901)	–	(161,901)
Interests paid	(36,816)	–	(36,816)
Exchange difference	1,470	1,271	2,741
As at 31 December 2014 (restated) and 1 January 2015	**783,418**	**42,773**	**826,191**
Fair value of convertible bonds issued	**1,609,828**	**331,495**	**1,941,323**
Equity component	**(113,680)**	**–**	**(113,680)**
Day 1 fair value loss on issuance	**49,743**	**–**	**49,743**
Interest accretion	**301,243**	**–**	**301,243**
Amortisation of unrealised fair value loss	**64,549**	**–**	**64,549**
Fair value gain recognised	**–**	**(278,876)**	**(278,876)**
Interests paid	**(37,431)**	**–**	**(37,431)**
Exchange difference	**144,762**	**13,135**	**157,897**
As at 31 December 2015	**2,802,432**	**108,527**	**2,910,959**

The liability portion of convertible bonds was analysed as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Non-current liabilities	**1,986,936**	826,191
Current liabilities	**924,023**	–
	2,910,959	826,191

25 CONVERTIBLE BONDS (Continued)

Notes:

(a) The recurring fair values measurement of derivatives embedded to the convertible bonds were determined by using the binomial model, with the following key assumptions:

On inception date

	Batch 1	Batch 4	Batch 5	Batch 6	Batch 7
Discount rate	15.9%–16.5%	17.8%	17.0%	16.9%	17.2%
Fair value of each share of the Company (HK$)	1.86–1.90	1.19	1.51	1.33	0.76
Conversion price per share (HK$)	1.60	1.03	1.3134	1.03	1.5928
Coupon rate	5%	7.5%	7.0%	7.5%	6.75%
Redemption price	135%	120%	120%	120%	120%
Risk free interest rate	0.57%–0.67%	0.9805%	1.1673%	1.1773%	1.4808%
Time to maturity (years)	3.00	3.00	3.00	3.00	3.00
Expected volatility	50%	40%	40%	40%	50%
Expected dividend yield	0%	0%	0%	0%	0%

As at 31 December 2015

	Batch 1	Batch 4	Batch 5	Batch 6	Batch 7
Discount rate	**16.1%**	**16.8%**	**16.9%**	**16.9%**	**17.2%**
Fair value of each share of the Company (HK$)	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Conversion price per share (HK$)	**1.60**	**1.03**	**1.3134**	**1.03**	**1.5928**
Coupon rate	**5%**	**7.5%**	**7.0%**	**7.5%**	**6.75%**
Redemption price	**135%**	**120%**	**120%**	**120%**	**120%**
Risk free interest rate	**0.6379%**	**1.2229%**	**1.2528%**	**1.2727%**	**1.4808%**
Time to maturity (years)	**0.77**	**2.33**	**2.42**	**2.48**	**3.00**
Expected volatility	**55%**	**50%**	**50%**	**50%**	**50%**
Expected dividend yield	**0%**	**0%**	**0%**	**0%**	**0%**

As at 31 December 2014

	Batch 1
Discount rate	16.3%
Fair value of each share of the Company (HK$)	1.03
Conversion price per share (HK$)	1.60
Coupon rate	5%
Redemption price	135%
Risk free interest rate	0.6303%
Time to maturity (years)	1.77
Expected volatility	50%
Expected dividend yield	0%

(b) As at 31 December 2015, the convertible bonds were secured by a share mortgage over shares of certain subsidiaries and charge over a restricted bank account for interest reserve purpose (Note 22).

Notes to the Financial Statements

26 CONTINGENT CONSIDERATION PAYABLES

	2015	2014
	RMB'000	RMB'000
		(Restated)
At 1 January	**696,536**	978,433
Fair value gain	**(159,362)**	(286,221)
Exchange difference	**43,517**	4,324
	580,691	696,536

Notes:

Contingent consideration payables comprised the following:

The Series B convertible bonds which were issued upon the acquisition of CSPG in 2013. The conversion period for Series B convertible bonds commenced on the expiry of profit guarantee arrangement in relation to the acquisition of CSPG. The cumulative profit of CSPG before interest, tax, depreciation, amortisation and share-based payment expenses in relation to the EIS was less than HK$495,000,000 (equivalent to approximately RMB419,634,000) during the three years ended 31 December 2015 as specified in the sale and purchase agreement.

The potential undiscounted amount of all principal repayments of Series B convertible bonds that the Group could be required to make under this arrangement range from zero to HK$847,964,000 (equivalent to approximately RMB718,857,000).

With the assumption that the profit guarantee arrangement could be met, the fair valuation of Series B convertible bonds, using the binomial model, has applied the following assumptions:

	2015	2014
Discount rate	**16.1%**	17.3%
Fair value of each share of the Company	**HK$0.75 each**	HK$1.03 each
Conversion price per share	**HK$1.00 per share**	HK$1.00 per share
Redemption price	**100%**	100%
Risk free interest rate	**0.5263%**	1.1471%
Time to maturity	**2.44 years**	3.44 years
Expected volatility	**50%**	50%
Expected dividend yield	**0%**	0%
Conversion period	After the expiry of the Lock-up period up to maturity date	

27 DEFERRED GOVERNMENT GRANT

The deferred government grant represented the subsidies granted by the PRC government to the Group.

	2015	2014
	RMB'000	RMB'000
		(Restated)
At 1 January	**4,160**	87,629
Received during the year:		
— continuing operations	**2,000**	2,460
Recognised in the consolidated statement of profit or loss:		
— continuing operations	**(1,950)**	–
— discontinued operation	**–**	(2,460)
Disposal of subsidiaries	**–**	(83,469)
At 31 December	**4,210**	4,160

28 DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year is as follows:

	Fair value gains
	RMB'000
At 1 January 2014 (restated)	259,982
Acquisition of subsidiaries	72,440
Redesignation of concession rights in relation to the step up acquisition of a subsidiary	
— As an associate	(27,983)
— As a subsidiary	(35,077)
Disposal of subsidiaries	(23,084)
At 31 December 2014 and 1 January 2015	**246,278**
Acquisition of subsidiaries (Note 31)	**43,381**
Redesignation of concession rights in relation to acquisition of subsidiaries (Note 31)	**(8,127)**
At 31 December 2015	**281,532**
Analysed as:	
Settled within the next 12 months	–
Settled over the next 12 months	281,532
	281,532

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

As at 31 December 2015, deferred income tax liabilities of RMB43,054,000 (2014: RMB17,888,000) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totalling RMB430,544,000 at 31 December 2015 (2014: RMB178,875,000), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

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. The Group has unrecognised deferred tax assets of approximately RMB14,060,000 (2014: RMB8,265,000) in respect of tax losses of approximately RMB56,241,000 (2014: RMB33,060,000), that can be carried forward against future taxable income. Cumulative unrecognised tax losses of approximately RMB108,000 (2014: RMB108,000), RMB5,644,000 (2014: RMB5,644,000), RMB13,149,000 (2014: RMB13,149,000), RMB14,160,000 (2014: RMB14,159,000) and RMB23,180,000 (2014: nil) will be expired in 2016, 2017, 2018, 2019 and 2020 respectively.

Notes to the Financial Statements

29 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	RMB'000
		(Restated)
Trade payables	**89,638**	186
Other payables and accruals		
— Amounts due to related companies	**–**	11
— Construction costs payable	**1,442,416**	1,540,317
— Other payables and accruals	**350,150**	137,641
	1,792,566	1,677,969
	1,882,204	1,678,155

The amounts due to related companies were unsecured, interest-free and repayable on demand.

The average credit period from the Group's trade creditors was of 30 to 90 days (2014: 30 to 90 days). The ageing analysis of trade payable is as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Not yet due	**26,928**	–
1–30 days	**62,300**	–
31–60 days	**410**	18
61–90 days	**–**	168
	89,638	186

30 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from continuing operations

	2015 **RMB'000**	2014 RMB'000 (Restated)
Operating activities from continuing operations:		
Profit before income tax	**373,262**	498,550
Adjustments for:		
Deferred government grant	**(1,950)**	–
Amortisation of land use rights	**11**	10
Bargain purchase arising from:		
(i) Business combinations	**(204,506)**	(35,520)
(ii) Acquisition of associates	**(9,634)**	–
Depreciation of property, plant and equipment	**242,176**	144,801
Fair value gain/(loss) on financial assets at fair value through profit or loss relating to:		
(i) Call Option	**(120,890)**	–
(ii) Guaranteed electricity output	**76,356**	(101,146)
Fair value gain on financial liabilities at fair value through profit or loss relating to:		
(i) Contingent consideration payables	**(159,362)**	(286,221)
(ii) Put Option	**(34,541)**	(72,967)
Fair value gain on previously held interest as a result of business combination	**–**	(1,617)
Finance income	**(288,122)**	(162,466)
Finance costs	**637,534**	306,769
Gain on disposal of an associate	**(32,840)**	–
Impairment charge on trade receivables	**–**	149
Reversal of impairment charge on other receivables	**–**	(8,382)
Share-based payment expenses	**25,017**	25,100
Share of profits of associates	**(3,893)**	(15,127)
Operating profit before working capital changes	**498,618**	291,933
Changes in working capital		
Inventories	**–**	1,691
Financial assets at fair value through profit or loss	**–**	98,790
Other receivables, deposits and prepayments	**10,320**	(63,453)
Trade, bills and tariff adjustment receivables	**(588,431)**	(215,579)
Trade payable	**89,452**	–
Other payables and accruals	**101,577**	34,333
Net cash generated from continuing operations	**111,536**	147,715

(b) Non-cash transaction

Included in additions of property, plant and equipment is an amount of RMB17,524,000 (2014: Nil) which represents the transfer of prepayment for purchase of solar modules for the self-develop solar power plant projects during the year.

Notes to the Financial Statements

31 BUSINESS COMBINATION

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 opportunity to acquire solar power plants with good prospects and potential for stable returns. During the year, the Group has acquired several solar power plants.

(i) Changzhou Guangyu

On 2 April 2015, the Group completed the acquisition of a 51% equity interest in Changzhou Guangyu for a cash consideration of approximately RMB22 million from NEX, an affiliate of a substantial shareholder of the Company.

This acquisition was part of the solar power energy initiative in relation to the concession rights acquired in CSPG in June 2013, an amount of approximately RMB31,981,000 has been redesignated from intangible assets as part of investment cost (Note 15), and an amount of approximately RMB6,556,000 has been recognised as deferred tax liabilities (Note 28) arising from fair value changes.

The principal activities of Changzhou Guangyu are development and operation of four solar power plants located in Xinjiang, the PRC, with an aggregate installed capacity of approximately 80MW.

(ii) Minfeng

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 approximately RMB136 million from an independent third party.

This acquisition was part of the solar power energy initiative in relation to the concession rights acquired in CSPG in June 2013, an amount of approximately RMB7,662,000 has been redesignated from intangible assets as part of investment cost (Note 15), and an amount of approximately RMB1,571,000 has been recognised as deferred tax liabilities (Note 28) arising from fair value changes.

The principal activities of Minfeng are the development and operation of a solar power plant located in Xinjiang, the PRC, with an aggregate installed capacity of approximately 20MW.

(iii) Nanjing Silk Road

On 24 September 2015, the Group completed the acquisition of a 100% equity interest in Nanjing Silk Road New Energy Limited* (南京絲綢之路新能源有限公司) ("Nanjing Silk Road"), which owns four project companies operating four on-grid connected solar power plants with an aggregate installed capacity of approximately 170MW located in Inner Mongolia and Zhejiang Province, the PRC, for a cash consideration of approximately RMB212 million from an independent third party.

At the date of acquisition, the Group classified the above investment as subsidiaries, except a wholly-owned project company, which owns and operates a rooftop solar power plant with an aggregate installed capacity of approximately 30MW located in Zhejiang Province, was classified as assets held-for-sale following the management's decision to sell the entire equity interest and the identification of a potential buyer. The transaction was completed in November 2015. The cash consideration was RMB70 million and no gain/loss was recognised for this transaction.

(iv) Hubei Jingtai

On 29 October 2015, the Group completed the acquisition of a 100% equity interest in Hubei Jingtai Photovoltaics Power Company Limited* (湖北晶泰光伏電力有限公司) ("Hubei Jingtai") for a cash consideration of RMB200 million from an independent third party.

The principal activities of Hubei Jingtai are the development and operation of a solar power plant located in Hubei Province, the PRC, with an aggregate installed capacity of approximately 100MW.

31 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid, the provisional fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests as at the respective acquisition date:

	Changzhou Guangyu	Minfeng	Nanjing Silk Road	Hubei Jingtai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration:					
Cash consideration	21,711	136,350	212,238	200,000	570,299
Redesignation of concession rights previously recognised					
— Intangible assets (Note 15)	31,981	7,662	–	–	39,643
— Deferred tax liabilities (Note 28)	(6,556)	(1,571)	–	–	(8,127)
Total consideration	47,136	142,441	212,238	200,000	601,815
Recognised amounts of identifiable assets acquired, liabilities assumed and non-controlling interests					
Property, plant and equipment (Note 14)	762,466	189,094	1,292,306	755,663	2,999,529
Value-added tax recoverable	71,113	19,944	136,885	85,496	313,438
Assets held-for-sale	–	–	70,000	–	70,000
Trade, bills and other receivables and prepayments (Note (b))	83,418	4,876	217,730	61,058	367,082
Restricted cash	–	–	823,980	–	823,980
Cash and cash equivalents	13,250	65	7,051	4,865	25,231
Trade and other payables	(731,475)	(47,069)	(1,243,763)	(672,112)	(2,694,419)
Borrowings	(94,000)	–	(896,072)	–	(990,072)
Deferred tax liabilities (Note (c))	(12,348)	(2,927)	(24,780)	(3,326)	(43,381)
Total identifiable net assets	92,424	163,983	383,337	231,644	871,388
Non-controlling interests (Note (e))	(45,288)	(17,552)	(2,227)	–	(65,067)
Bargain purchase recognised in the consolidated statement of profit or loss (Note (d))	–	(3,990)	(168,872)	(31,644)	(204,506)
	47,136	142,441	212,238	200,000	601,815
Acquisition costs recognised in the consolidated statement of profit or loss	945	308	3,317	252	4,822
Net cash outflow arising from the acquisitions					
Cash consideration	(21,711)	(136,350)	(212,238)	(200,000)	(570,299)
Less: Cash and cash equivalents acquired	13,250	65	7,051	4,865	25,231
	(8,461)	(136,285)	(205,187)	(195,135)	(545,068)

Notes to the Financial Statements

31 BUSINESS COMBINATION (Continued)

Notes:

(a) Revenue and profit contribution

The table below illustrates the revenue and tariff adjustment and the profit included in the consolidated statement of profit or loss since acquisition date contributed by each acquisition.

	Changzhou Guangyu	Minfeng	Nanjing Silk Road	Hubei Jingtai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue and tariff adjustment	58,605	9,267	39,224	17,675	124,771
Profit contributed to the Group	14,350	2,727	12,539	9,086	38,702

Had the consolidation taken place at 1 January 2015, the consolidated statement of profit or loss would show pro-forma revenue on sales of electricity and tariff adjustment of approximately RMB857,712,000 and profit of RMB497,185,000.

(b) Acquired receivables

The fair values of trade, bills and other receivables and prepayments acquired were approximately RMB367,082,000 and included trade, bills and tariff adjustment receivables with fair values as below:

	Changzhou Guangyu	Minfeng	Nanjing Silk Road	Hubei Jingtai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and tariff adjustment receivables	81,639	4,826	136,335	53,844	276,644

The gross contractual amount for trade receivables due in aggregate was RMB276,644,000, of which no balance was expected to be uncollectible.

(c) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities of approximately RMB43,381,000 have been provided in relation to these fair value adjustments.

(d) Bargain purchase on business combinations

The Group recognised bargain purchase of approximately RMB204,506,000 in the consolidated statement of profit or loss as a result of acquisition of Minfeng, Nanjing Silk Road and Hubei Jingtai. The main reason giving rise to the bargain purchase was the fact that the discounted cash flow for 25 years for the solar power plants exceeded the total consideration paid.

(e) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

32 COMMITMENTS

(a) Capital commitments

As at 31 December 2015, the Group had capital commitment in respect of property, plant and equipment contracted amounted to approximately RMB690,000,000 (2014: RMB3,747,000).

(b) Commitments under operating leases

As at 31 December 2015 and 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, staff quarters and warehouses as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Within one year	**7,117**	3,466
After one year but within five years	**10,927**	5,906
Over five years	**584**	615
	18,628	9,987

33 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Other than those balances and transactions disclosed elsewhere in this consolidated financial statements, no significant related party transactions between the Group and its related parties were occurred during the year.

(b) Key management compensation

	2015	2014
	RMB'000	RMB'000
		(Restated)
Short-term employee benefits	**5,006**	3,452
Share-based payment	**4,236**	3,198
	9,242	6,650

34 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Except as disclosed elsewhere in the consolidated financial statements, the following events occurred subsequent to the date of statement of financial position:

Acquisition of a subsidiary

In January 2016, the Group completed the acquisition of an additional equity interest in an associate which owns solar power plant with installed capacity of approximately 19.8MW in Yunnan Province, PRC. The cash consideration for this transaction was approximately RMB20 million. The associate has since become a subsidiary of the Group.

35 COMPARATIVE FIGURES

Certain comparative figures have been represented to conform to current year's presentation.

Notes to the Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
ASSETS		
Non-current assets		
Interests in subsidiaries	**1,242,673**	1,126,724
Investment in an associate	**–**	51,592
	1,242,673	1,178,316
Current assets		
Deposits and prepayments	**424,431**	719
Amounts due from subsidiaries	**3,748,386**	1,641,773
Restricted cash	**19,710**	18,341
Cash and cash equivalents	**224**	2,268
	4,192,751	1,663,101
Total assets	**5,435,424**	2,841,417
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	**385,804**	354,915
Reserves (Note (a))	**1,444,422**	887,370
Total equity	**1,830,226**	1,242,285
LIABILITIES		
Non-current liabilities		
Convertible bonds	**1,986,936**	826,191
Contingent consideration payables	**580,691**	696,536
Cash-settled share-based payment	**23,570**	16,073
Other borrowings	**64,947**	–
	2,656,144	1,538,800
Current liabilities		
Other payables and accruals	**3,769**	4,529
Convertible bonds	**924,023**	–
Other financial liability at fair value through profit or loss	**21,262**	55,803
	949,054	60,332
Total liabilities	**3,605,198**	1,599,132
Total equity and liabilities	**5,435,424**	2,841,417

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2016 and was signed on its behalf

Mr. Li, Alan
Director

Mr. Li Hong
Director

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note

(a) Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under EIS RMB'000	(Restated) Convertible bonds equity reserve RMB'000	Contributed surplus (Note) RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014	3,178,238	63,871	(24,028)	408,347	34,032	(81,432)	(3,504,776)	74,252
Comprehensive income								
Profit for the year	–	–	–	–	–	–	58,119	58,119
Other comprehensive income	–	–	–	–	–	(9,665)	–	(9,665)
Total comprehensive income	–	–	–	–	–	(9,665)	58,119	48,454
Issue of shares through placement	598,433	–	–	–	–	–	–	598,433
Issue of shares upon conversion of convertible bonds	432,375	–	–	(300,034)	–	–	–	132,341
Share-based payment	–	23,854	–	–	–	–	–	23,854
Share option lapsed	–	(1,184)	–	–	–	–	1,184	–
Issue of shares on conversion of convertible bonds held by a trustee in relation to EIS	26,685	13,213	(29,862)	–	–	–	–	10,036
Total transactions with shareholders, recognised directly in equity	1,057,493	35,883	(29,862)	(300,034)	–	–	1,184	764,664
Balance at 31 December 2014	4,235,731	99,754	(53,890)	108,313	34,032	(91,097)	(3,445,473)	887,370

Notes to the Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (Continued):

(a) Reserve movement of the Company (Continued)

	Share premium RMB'000	Share-based payment reserve RMB'000	Shares held under EIS RMB'000	Convertible bonds equity reserve RMB'000	Contributed surplus (Note) RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	**4,235,731**	**99,754**	**(53,890)**	**108,313**	**34,032**	**(91,097)**	**–**	**(3,445,473)**	**887,370**
Comprehensive income									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,310**	**18,310**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**126,988**	**–**	**–**	**126,988**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**126,988**	**–**	**18,310**	**145,298**
Issue of shares through placement (Note 23 (b))	**269,962**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**269,962**
Issue of convertible bonds (Note 25)	**–**	**–**	**–**	**113,680**	**–**	**–**	**–**	**–**	**113,680**
Share-based payment (Note 23(d))	**–**	**19,038**	**–**	**–**	**–**	**–**	**–**	**–**	**19,038**
Transaction with non-controlling interests (Note 16(c))	**5,767**	**–**	**–**	**–**	**–**	**–**	**3,307**	**–**	**9,074**
Total transactions with shareholders, recognised directly in equity	**275,729**	**19,038**	**–**	**113,680**	**–**	**–**	**3,307**	**–**	**411,754**
Balance at 31 December 2015	**4,511,460**	**118,792**	**(53,890)**	**221,993**	**34,032**	**35,891**	**3,307**	**(3,427,163)**	**1,444,422**

Note:

The contributed surplus of the Company represented the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

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