THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in United Photovoltaics Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO 70% OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE ARENA LIMITED; AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to United Photovoltaics Group Limited

Guotai Junan Capital Limited

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

A letter from the Board is set out from pages 4 to 20 of this circular.

A notice convening the SGM to be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 24 October 2014, at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

8 October 2014

CONTENTS

Page

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

"Announcements"	the announcements dated 11 June 2014 and 27 August 2014 made by the Company in respect of the Disposal
"Board"	the board of Directors
"Bonds"	the US$120,000,000 5 per cent. secured guaranteed convertible bonds due 2016, the details of which were disclosed in the announcements of the Company dated 29 September 2013 and 16 October 2013
"Business Days"	a day (other than a Saturday or a Sunday) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"Company"	United Photovoltaics Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 686)
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Disposal Agreement
"Completion Date"	on or before 28 November 2014 or such other date as the Parties may agree
"Connected person(s)"	has the same meaning ascribed thereto in the Listing Rules
"Consideration"	the consideration for the Disposal in the sum of HK$217.0 million
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of 70% of the entire issued share capital of the Disposal Company pursuant to the terms of the Disposal Agreement
"Disposal Agreement"	the conditional sale and purchase agreement dated 27 August 2014 entered into by the Company, the Purchaser and the Purchaser's Guarantor in relation to the Disposal

"Disposal Company"	Fortune Arena Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company prior to Completion
"Disposal Group"	the Disposal Company, its subsidiaries and its 5% interest in GCL Goldpoly (Quanzhou) Photovoltaics Technology Company Limited* (協鑫金保利(泉州)光伏科技有限公司)
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals 1,000,000,000 watt
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and its connected persons
"Latest Practicable Date"	3 October 2014, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Day"	28 November 2014 or such other later date as the Parties may agree
"MOU"	the memorandum of understanding entered into between the Purchaser and the Company dated 11 June 2014 in relation to the Disposal, as disclosed in the announcement of the Company dated 11 June 2014
"Mr. Chung" or "Purchaser's Guarantor"	Mr. Chung Rai Lin, the Purchaser's guarantor and an Independent Third Party
"MW"	megawatt, which equals 1,000,000 watt
"Parties"	the Company, Purchaser and Mr. Chung, being the parties to the Disposal Agreement

"PRC"	the People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Power Solar Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party
"Remaining Group"	the Group after Completion (i.e. excluding the Disposal Group)
"Sale Shares"	70 shares of US$1 each in the issued share capital of the Disposal Company, representing the 70% of the entire issued share capital of the Disposal Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, the Disposal Agreement and the transactions contemplated thereunder
"Shareholder(s)"	the holder(s) of Share(s)
"Shareholders Agreement"	the shareholders' agreement of the Disposal Company to be entered into by the Company and the Purchaser at Completion in an agreed form
"Shareholders' Loan"	the loan due from the Disposal Group to the Company or its subsidiaries as at the date of the Disposal Agreement, which amounts to approximately HK$238,234,000
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

* *For identification purpose only*

联合光伏 UNITED PHOTOVOLTAICS

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

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

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

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

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

8 October 2014

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO 70% OF THE ENTIRE ISSUED SHARE CAPITAL OF FORTUNE ARENA LIMITED; AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcements in relation to the Disposal.

The purpose of this circular is to provide you with, amongst other things, further details of (i) the terms and conditions of the Disposal Agreement; (ii) the financial information of the Group and the Disposal Group; (iii) the unaudited pro forma financial information of the Remaining Group; (iv) the property valuation report of the Disposal Group; and (v) the notice of the SGM.

THE DISPOSAL

On 27 August 2014 (after trading hours), the Company, the Purchaser and the Purchaser's Guarantor entered into the Disposal Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares at a cash consideration of HK$217.0 million.

The Disposal Agreement

The principal terms of the Disposal Agreement are as follows:

Date:	27 August 2014	
Parties:	Vendor:	the Company
	Purchaser:	Power Solar Investments Limited
	Purchaser's guarantor:	Mr. Chung

The Purchaser is a company incorporated in the British Virgin Islands with limited liability, wholly and ultimately beneficially owned by Mr. Chung. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Purchaser and Mr. Chung are Independent Third Parties; (ii) the Company and the Directors have no current or prior relationship and business arrangement with the Purchaser and its ultimate beneficial owner save for the entering into of the MOU and the Disposal Agreement; and (iii) the Purchaser and Mr. Chung are third parties independent of the vendors from whom the Company acquired the Disposal Group in 2010.

Assets to be disposed

The Sale Shares, representing 70% of the entire issued share capital of the Disposal Company upon Completion, which was a wholly-owned subsidiary of the Company as at the Latest Practicable Date, are to be disposed. The Disposal Group is principally engaged in the sale and manufacturing of solar silicon cells (including mono-crystalline and multi-crystalline silicon cells).

Upon Completion, the Company will hold 30% of the issued share capital of the Disposal Company. The Disposal Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group. It is expected that the Group's remaining interest in the Disposal Company would be accounted for as an associate in the Group's consolidated financial statements.

Consideration

The Consideration is HK$217.0 million which shall be satisfied in cash by the Purchaser to the Company at Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser. In arriving at the Consideration, the Directors had taken into consideration of various factors including: (i) the unaudited consolidated net asset value of the Disposal Group of approximately HK$300.9 million as at 31 May 2014 and 70% of which amounted to approximately HK$210.6 million; (ii) the latest unaudited financial status of the Disposal Group (details of which are set out in the section headed "Unaudited consolidated financial information of the Disposal Group"); (iii) prospects of the Disposal Group, in particular, the uncertainty of the market condition of the solar cells business, the improvement in technology, the more intense competition introduced by the competitors in the solar cell manufacturing industry and the substantial cost that the Group may need to incur if the Disposal Group is to enhance its competitiveness (details of which are set out in the section headed "Reasons for and benefits of the Disposal"); and (iv) the commercial reasons set out in the section headed "Reasons for and benefits of the Disposal" below.

The Consideration exceeds 70% of the unaudited consolidated net asset value of the Disposal Group as at 30 June 2014. As stated in the section headed "Conditions precedent" in this circular, one of the conditions is the elimination of the Shareholders' Loan of approximately HK$238.2 million prior to Completion. Assuming the Disposal were completed on 30 June 2014, based on the unaudited consolidated net asset value of the Disposal Group as at 30 June 2014 and taking into account the effect of the capitalisation of the Shareholders' Loan and the reclassification of the cumulative exchange reserve related to the Disposal Group to the consolidated statement of comprehensive income which amounted to approximately HK$46.6 million as at 30 June 2014, it is estimated that the Group would incur a gain on Disposal of approximately HK$25.3 million. The actual amount of gain to be recognised would be subject to the actual amount of net asset value of the Disposal Group as at Completion and the fair value of the Group's remaining 30% equity interest in the Disposal Group as at Completion, and is subject to the review by the Company's auditors.

During the negotiation process, the Purchaser requested the Vendor to clear most of the amount due by the Disposal Group to the Company. As at the date of the Disposal Agreement, the Shareholders' Loan amounted to approximately HK$238.2 million. It represented mainly the investment cost of the Company in the Disposal Group incurred in late 2010 and 2011 after the Group acquired the Disposal Group for supporting the operation of the Disposal Group. Since the Disposal Group had been incurring net losses for consecutive years, the recoverability of such Shareholders' Loan is highly uncertain in the foreseeable future. In light of this, the Company agreed to capitalise the Shareholders' Loan before Completion.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Financial impact of the Disposal on the Group

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the expected gain from the Disposal amounted to approximately

HK$25.3 million, which is calculated at the sum of (i) Consideration; (ii) the fair value of the remaining 30% equity interest in the Disposal Group of approximately HK$71.7 million; and (iii) the release of cumulative exchange reserve attributable to the Disposal Group upon Completion of approximately HK$46.6 million; less the sum of (i) unaudited consolidated net asset value of the Disposal Group as at 30 June 2014 of approximately HK$70.3 million; (ii) capitalisation of the Shareholders' Loan; and (iii) estimated transaction expenses of approximately HK$1.4 million.

As illustrated in the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to this circular which has been prepared as if the Disposal had been completed on 30 June 2014, (i) the total assets of the Group would be decreased by approximately HK$938 million; (ii) the total liabilities of the Group would be decreased by approximately HK$917 million; (iii) the net assets of the Group would be decreased by approximately HK$21 million; and (iv) the Remaining Group will record investments in associates of approximately HK$71.7 million for the Disposal Group.

As illustrated in the unaudited pro forma consolidated income statement of the Remaining Group as set out in Appendix III to this circular which had been prepared as if the Disposal had been completed on 1 January 2013, the net loss attributable to the owners of the Company recorded by the Remaining Group would be increased by approximately HK$269 million to approximately HK$2,575 million for the year ended 31 December 2013.

Conditions precedent

Completion is conditional upon:

(a) the discharge of the mortgage over the shares of each member of the Disposal Group (excluding those members of the Disposal Group established in the PRC) by the existing mortgagee, The Bank of New York Mellon, acting through its London Branch on or before the Completion Date;

(b) the passing by the requisite majority of Shareholders in a general meeting of all resolutions required under the Listing Rules of the transactions contemplated under the Disposal Agreement;

(c) the elimination of the Shareholders' Loan (by way of capitalisation or such other ways as the Company may think fit and acceptable to the Purchaser) on or before the Completion Date;

(d) the increase in the issued share capital of the Disposal Company from 1 Share to 100 Shares on or before the Completion Date;

(e) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the Disposal having been obtained or made; and

(f) all the representations and warranties contained in the Disposal Agreement remain true, accurate and not misleading in all material respects when made, and being true, accurate and not misleading on and as of the Completion Date.

The Purchaser may waive the conditions (e) and (f) at its sole discretion. If any of the conditions shall not have been fulfilled or waived (as the case may be) by the Long Stop Date, the Disposal Agreement shall be null and void and of no effect.

In connection with condition (e) above, as the Sale Shares and the shares of some of the members of the Disposal Group are part of the securities for the Bonds, the Completion is subject to the consent of the holders of the Bonds. As at the Latest Practicable Date, the relevant holders of the Bonds had consented to the Disposal.

Completion

Completion shall take place on the Completion Date.

Guarantees

Mr. Chung, as the Purchaser's primary guarantor, guaranteed to the Company the due and punctual payment of the Consideration under the Disposal Agreement.

Shareholders' Agreement

Pursuant to the Disposal Agreement, upon Completion, the Company will enter into the Shareholders' Agreement with the Purchaser to govern the shareholdings and management of the Disposal Company and its relationship with each of the shareholders of the Disposal Company. The principal terms of the Shareholders' Agreement are set out as follows:

Commencement

The Shareholders' Agreement shall take effect simultaneously at Completion.

Composition of the board of the Disposal Company

The board of directors of the Disposal Company shall comprise of not less than three directors, of whom two shall be appointed by the Purchaser, one shall be appointed by the Company. The chairman of the board shall be appointed by the Purchaser.

Quorum for meetings of the board

The quorum for a meeting of the board of directors of the Disposal Company shall be two directors provided that one of the directors present is a nominee of the Company. All resolutions of the board of directors of the Disposal Company shall be determined by majority votes of the directors.

Quorum for meetings of the shareholders

The quorum for a general meeting of the Disposal Company shall be constituted by any two shareholders, including the Company and the Purchaser. All resolutions required to be passed by the shareholders shall be determined by a simple majority of votes of the shareholders save for the following matters which will require the prior written approval of all shareholders of the Disposal Company:

(a) any amendment to the memorandum, the articles of association of the Disposal Company or any provision of the Shareholders' Agreement;

(b) any consolidation, subdivision, redemption or conversion of any of the shares of the Disposal Company;

(c) any issue of any shares, options, warrants or debentures or other securities convertible into shares or debentures or interests of the Disposal Company;

(d) any sale, transfer, lease, licence or any other disposal by the Disposal Company of any of its assets, business or undertaking (other than in the ordinary course of business);

(e) the incorporation of any subsidiary by the Disposal Company, or the disposal or dilution of the Disposal Company's interest (directly or indirectly) in any subsidiary, or the acquisition by the Disposal Company of any shares or interests in any company, or the disposal of any shares or interests in any company, or the acquisition of or disposal of any loans or loan capital (other than in the ordinary course of business);

(f) the entering into of any partnership or joint venture arrangement by the Disposal Company; and

(g) any of the matters referred to items (a) to (f) above applying, mutatis mutandis, to the level of any subsidiary of the Disposal Company.

Restriction on disposal of the Disposal Company

Any shareholder of the Disposal Company may sell any or all of its shares to any person without the consent of the other shareholders, provided that if any shareholder proposes to sell any or all of its shares upon a bona fide offer, of which it is willing to accept, then it must first give the other shareholder a right of first refusal to purchase such shares.

Termination of the Shareholders' Agreement

The Shareholders' Agreement shall continue in full force and effect until all the shares are held by one shareholder or the Disposal Company shall be wound up.

INFORMATION OF THE GROUP, THE PURCHASER, THE PURCHASER'S GUARANTOR, THE DISPOSAL GROUP AND THE REMAINING GROUP

Information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in businesses in the solar energy industry. The Disposal Group is principally engaged in the sale and manufacturing of solar silicon cells which are major components in forming power generating modules in solar power plants. The Remaining Group is principally engaged in the investment and development, operation and management of solar power plants.

Information of the Purchaser

The Purchaser was incorporated in the British Virgin Islands on 1 April 2014 and is principally engaged in investment holding.

Information of the Purchaser's Guarantor

The Purchaser's Guarantor, Mr. Chung, is the sole shareholder and director of the Purchaser. To the best knowledge of the Directors and after reasonable enquiry, Mr. Chung is the chairman of Cybermart International Holding Company ("Cybermart"), which is engaged in the sales of computers, communication and consumers electronic products and is operating about 30 chain stores in the PRC. According to the information provided by the Purchaser, Mr. Chung has been managing the business of Cybermart since 2001 and Cybermart was previously a subsidiary of Foxconn Technology Group, a Fortune-500 company, until mid-2014. The Company understands that Mr. Chung is experienced in business management and has extensive business connection and is interested in entering into the solar cells manufacturing industry.

Information of the Disposal Group

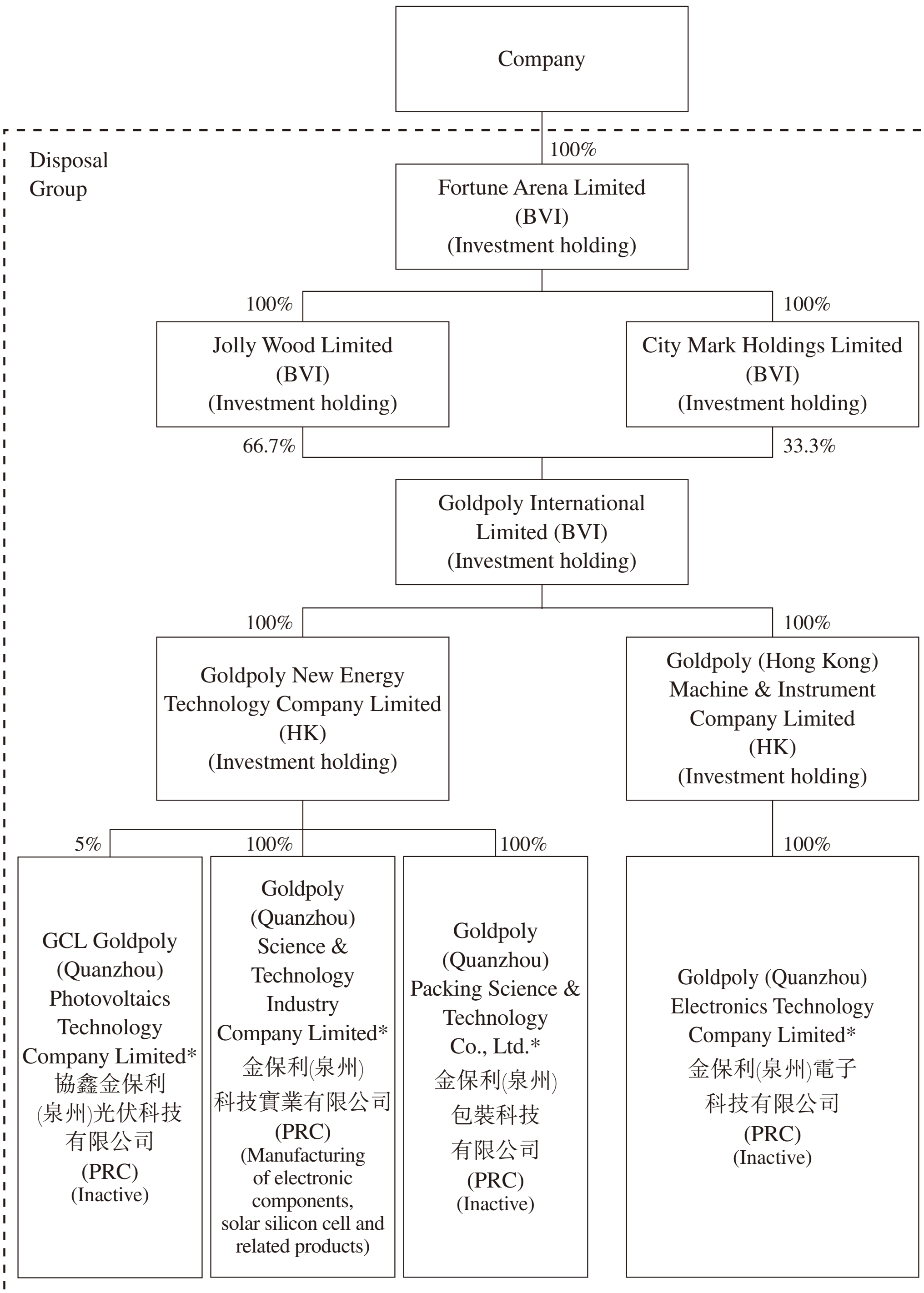
The Disposal Company

The Disposal Company is a wholly owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability. It is an investment holding company.

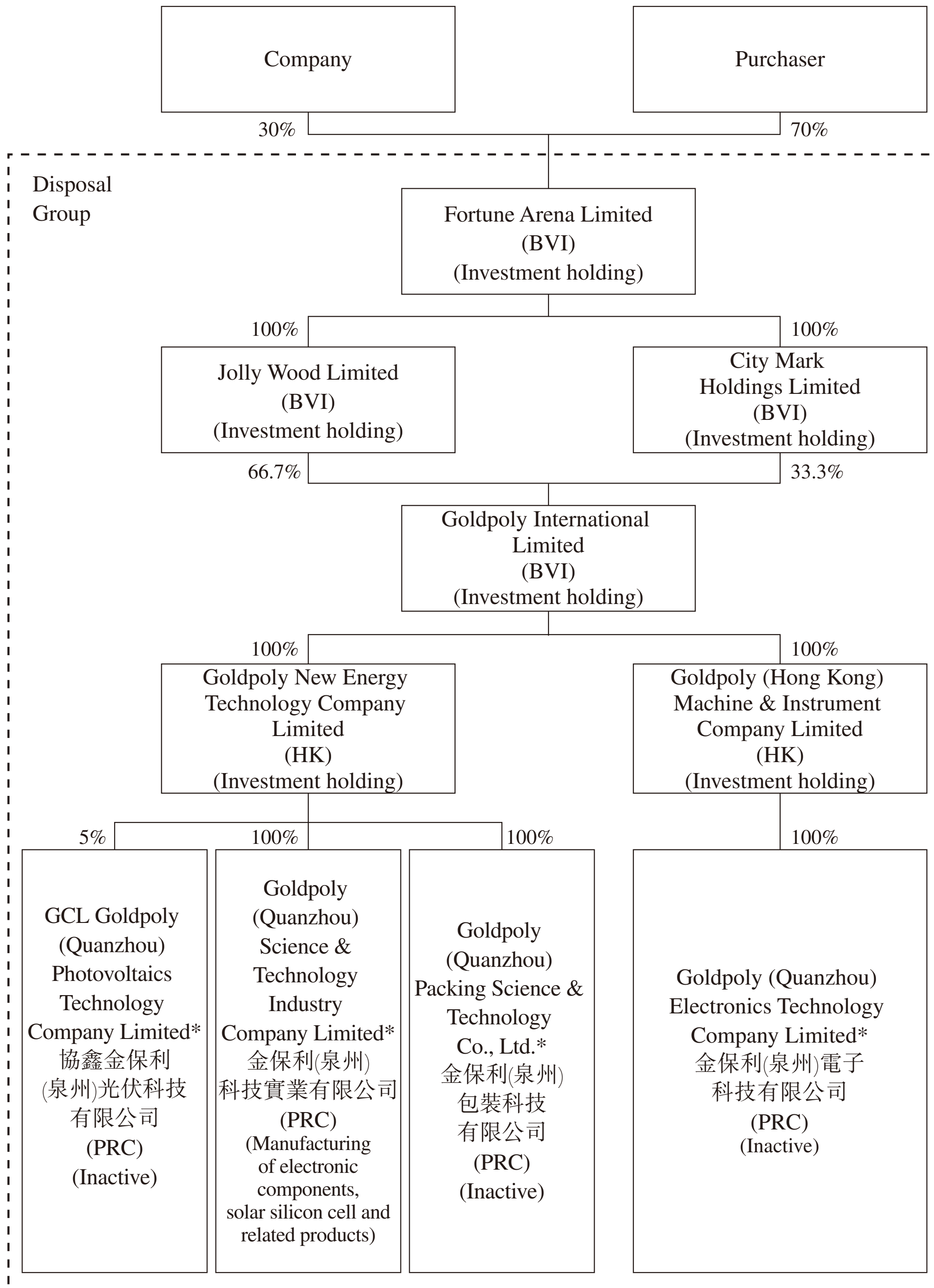
The Disposal Group

The corporate structure of the Disposal Group with the respective principal activities of each member of the Disposal Group as at the Latest Practicable Date was and upon Completion will be as follows:

(a) As at the Latest Practicable Date



(b) Upon Completion



Unaudited consolidated financial information of the Disposal Group

The unaudited consolidated net loss before and after taxation of the Disposal Group for each of the two years ended 31 December 2012 and 2013, based on Hong Kong Financial Reporting Standards are set out below:

	Year ended 31 December	
	2012	**2013**
	(unaudited)	(unaudited)
	HK$'million	*HK$'million*
Net loss before taxation	735.4	115.7
Net loss after taxation	736.9	112.0

Based on the unaudited consolidated management accounts of the Disposal Group as at 30 June 2014, the Disposal Group had net assets amounted to approximately HK$70.3 million.

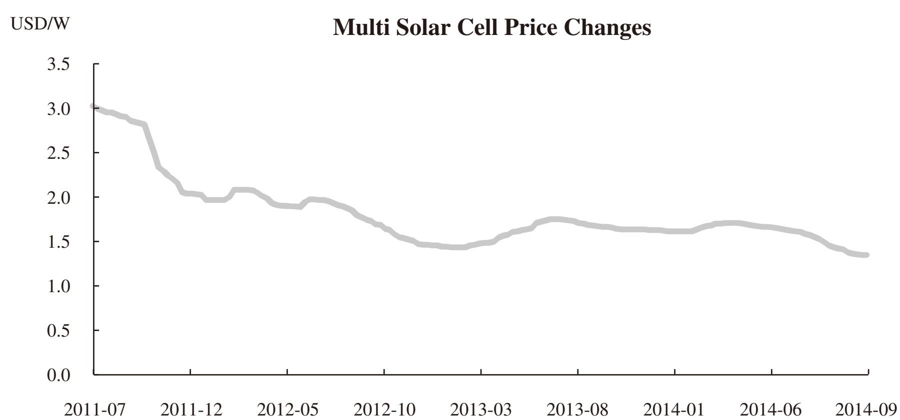
REASONS FOR AND BENEFITS OF THE DISPOSAL

Since it was acquired by the Company in late 2010, the Disposal Group had been loss making, mainly because of, among other things, strong headwinds in the average selling price of solar cell and weak market demand for solar cell from the end market overseas during the last several years. In the past few years, the price of solar cell recorded a decrease caused by the slowdown of demand due to the economic downturn in the United States of America, the European debt crisis and the oversupply of raw materials in the market worldwide. In the buoyant 2010 market, cells/modules purchased were not all digested instantly. Certain amount of inventory needed to be utilised before the market demand could revitalise. As stated in the 2013 annual report of the Company, the Disposal Group continued to record gross loss and operating loss for the year ended 31 December 2013 in spite of an increase in revenue in the solar cells business. Such increase in revenue was mainly because (i) overseas sales increased and the selling prices of the products sold overseas were generally higher than those sold domestically; (ii) new customers were captured; and (iii) Renminbi appreciated during 2013. However, as the European countries and the United States of America imposed anti-dumping and anti-subsidy measures on imports of solar products from the PRC in the second half of 2013 and mid-2014 respectively, the export of the solar products by the PRC solar products manufacturers has been adversely affected. As disclosed in the interim report of the Company for the six months ended 30 June 2014 dated 28 August 2014 (the "2014 Interim Report"), the unaudited revenue from the sales of solar cells for the six months ended 30 June 2014 amounted to approximately HK$77 million, representing a decrease of approximately 50.8% as compared to the corresponding period in 2013. Such decrease was mainly due to the drop in demand as a result of keen competition. Moreover, many manufacturers have introduced new technology and improvement in the production of their solar cells and other solar power products in recent years, leading to a keen competition amongst solar cell manufacturers. As a result, utilisation of the production capacity of the Disposal Group has remained low. To enhance the competitiveness of the Disposal Group and to improve the utilisation rate of the Disposal

Group's production capacity, the Company may need to expend substantial resources on technical advance, renewal and upgrade of existing production facilities and the results of which would be uncertain. Facing a deterioration of the business climate of solar cell industry, it is the Group's strategy to deploy prudent control on the solar cell business of the Disposal Group.

In considering whether the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Company has also taken into account the following various factors and reasons:

Strong headwinds in the average selling price of solar cell



Source: Pvinsights, Guotai Junan International.

During the past few years, the average selling price of solar cell suffered from strong headwinds and the market demand for solar cell from the overseas end market remained weak. The decrease in solar cell price was mainly due to, among other things, the slowdown of demand due to the economic downturn in the United States of America, the European debt crisis and the oversupply of raw materials in the market worldwide.

Continuing low utilisation rate of the production capacity

The historical utilisation rate of the solar cells production capacity of the Disposal Group from 1 January 2011 to 31 December 2013 are set out below:

Year (January to December)	**Production Capacity** *(MW) (a)*	**Actual Production** *(MW) (b)*	**Utilisation rate** *(%) (c) = (b)/(a)*
2011	200	90.60	45.30
2012	200	69.22	34.61
2013	200	75.0	37.50

The historical utilisation rate of the solar cells production capacity of the Disposal Group remained low, which only accounted for 45.3%, 34.61% and 37.5% of the maximum production capacity in 2011, 2012 and 2013 respectively. There was a slight increase of the utilisation rate in 2013 due to the increase in demand and sales of the solar cells from overseas. Such slight increase in the sales quantity was mainly attributable to the introduction of new customers. Nevertheless, the utilisation rate in 2013 remained low.

Estimated expenditure on the technical advancement

Details of the estimated amount of capital required to be spent on technical advancement, renewal and upgrade of existing production facilities are as below:

Category	**Description**	**Estimated amount of capital to be invested**
Technical advancement	To increase the efficiency rate of the solar cells	Approximately RMB1.0 to RMB2.0 million (equivalent to approximately HK$1.3 million to HK$2.5 million)
Renewal of existing production facilities	To maintain the working environment up to a normal standard for production	Approximately RMB1.0 million (equivalent to approximately HK$1.3 million)
Upgrade of existing production facilities	To upgrade, purchase and replace some of the existing production facilities	Approximately RMB28.0 to RMB30.0 million (equivalent to approximately HK$35 million to HK$37.8 million)
Direct labor (to meet the utilisation of 260MW^ production capacity in full)	To increase the existing staff size of 177 to 384.	Approximately RMB12 million (equivalent to approximately HK$15.1 million) per year.
Direct material (to meet the utilisation of 260MW^ production capacity in full)	To increase the procurement of direct material for the production	Approximately RMB721 million (equivalent to approximately HK$908.5 million) per year.
Total estimated cost for the utilisation of 260MW^ production capacity		Approximately RMB763 to RMB766 million (equivalent to approximately HK$961.3 million to HK$965.1 million)

Note ^: As per the management of the Disposal Group, the existing annual production capacity is approximately 200 MW, after the technical advancement, renewal and upgrade of existing production facilities mentioned above, the estimated annual production capacity will be increased to 260MW.

On the other hand, the supporting policies within the solar energy industry from the PRC government and the declining cost and price for solar cell products have led to lower installation costs and a better return for solar power plant operators in the PRC. Since 2012, the Group has completed acquisitions of certain companies engaged in the development, investment, operation and management of solar power plants. As at 30 June 2014, the Group and the associates of the Company had 13 solar power plants and the Group had entered into definitive agreement to acquire 1 solar power plant. These 14 solar power plants have aggregate installed capacity of approximately 532MW, covering Gansu, Qinghai, Fujian, Jiangsu, Guangdong and Inner Mongolia, all of which have been grid connected and generating electricity.

In the circular of the Company dated 10 May 2013 (the "2013 Circular") in relation to the Company's acquisition (the "Previous Acquisition") of approximately 92.17% interest in China Solar Power Group Limited (formerly known as China Merchants New Energy Holdings Limited, a company which, together with its subsidiaries, engaged in the development, investment, operation and management of solar power plants), it was stated that the Previous Acquisition was expected to bring synergy effect to the Group, which was principally engaged in solar cells manufacturing prior to the Previous Acquisition, by way of vertical integration. Nevertheless, when the Group acquired solar power plants subsequently, most of them had been well constructed and/or grid connected, and it was not necessary for the Group to procure solar cells from the Disposal Group or from other suppliers. Moreover, as a condition to the acquisition of such solar power plants, the owners or the contractors (the "EPC Contractors") which take care of the engineering, procurement, construction, operation and maintenance of the relevant solar power plants should provide guarantee and warranty to the Group for the electricity generation volume and proper operation of the relevant solar power plants. From the past experience, the Group finds that such model is relatively efficient and helps reducing risk exposure as compared to constructing solar power plant by the Group itself at the present stage of the growth of the Company. The Group also finds that the solar cells procured by the EPC Contractors in building the relevant solar power plants are even more competitive as compared to the solar cells manufactured by the Disposal Group. As the Remaining Group may not necessarily rely on the supply of solar cells by the Disposal Group, the Group considers that the emphasis on the synergistic effect by way of vertical integration as mentioned in the 2013 Circular is less important to the Group.

As stated in the 2013 annual report of the Company, given the solar installation target of 35GW by 2015 set by the Chinese government under its Five-Year Plan and the 14GW of installations nationwide in 2014 earmarked by the National Energy Administration of China, the Company considers that the solar power plant business will generate stable electricity income and will be the growing drive of the business of the Group. As stated in the 2014 Interim Report, the revenue from the sales of electricity (including tariff adjustment) and the sales of solar cells for the first half of 2014 was approximately HK$161 million and HK$77 million, representing an increase of 90,809.0% in the segment of solar power plants and a decrease of 50.8% in the segment of solar cells respectively compared to the corresponding period in 2013. Based on the above, the Directors consider that it is in the interest of the Group to carry out the Disposal which would enable the Group to focus its resources in investing and operating solar power plants.

The Disposal is a decision after a series of commercial negotiations at arm's length between the Company and the Purchaser to agree on the disposal of a 70% equity interest in the Disposal Group. Following the Disposal, the Disposal Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group. The Company will no longer be the principal party of providing financial and operational support to the Disposal Group. In addition, the net proceeds of the Disposal will bring immediate cash flow to the Group.

Following the Disposal, the Group will retain 30% equity interest in the Disposal Company as a result of the commercial negotiation between the Company and the Purchaser. Currently, the Company does not intend to dispose the remaining 30% equity interest in the Disposal Group within coming 12 months. The Company has no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) on any disposal, termination or scaling-down of the Remaining Group; injection of any other new business to the Group (other than solar energy related business); or any change in the Company's shareholding structure. Save and except that the board of directors of the Disposal Company will be changed to comprise of not less than three directors, of whom two shall be appointed by the Purchaser and one shall be appointed by the Company, upon Completion, the Company has no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any change on the staff employed under the Disposal Group or in the Board's composition.

After considering the above-mentioned reasons for the Disposal under this section, the Directors consider that the Disposal Group's results may only be turned around if the market of solar cells picks up in the future and if substantial financial resources and efforts are put into the Disposal Group (details of which have been discussed above under this section). In view of the experience in business management and the business connection of Mr. Chung (being the ultimate beneficial owner of the Purchaser whose background is set out in the section headed "Information of the Purchaser's Guarantor" above) and his working experience in Foxconn Technology Group, which is a renowned high technology manufacturer, the Directors consider that by leveraging on the business management expertise that Mr. Chung developed in the past working experience, especially in the field involving high technology manufacturing and by utilising his extensive business network, the Disposal Group may be benefited from the management of the operation of the Disposal Group by the Purchaser and recruitment of experienced personnel to streamline the production flow for cost-cutting and achieving technology advancement and introduction of new sales channel/customers to improve the utilisation rate as well as profitability of the Disposal Group. Thus, the Directors consider that the Company could have upside potential when the Disposal Group's results turn around by retaining the 30% equity interest in the Disposal Company while enabling the Group to focus its financial resources and management efforts in the business of solar power plants development and operation at the same time. Furthermore, the Directors consider that the Group's retained 30% equity interest in the Disposal Company could facilitate potential business cooperation (if any) between the Group and the Disposal Group in solar power plants development in the future. The potential business cooperation could happen if the Remaining Group needs to procure solar cells for construction of those solar power plant projects to be developed by the Remaining Group, the Remaining Group may purchase solar cells from the Disposal Group if the terms and pricing of such purchases are fair and competitive.

The Directors further considered that (i) the continuous impairment charges for goodwill arising from the acquisition of the Disposal Group in the financial years ended 31 December 2011 and 2012 of approximately HK$1,132 million and HK$612.8 million respectively; (ii) retaining 30% equity interest in the Disposal Group implies loss of control of the Group but on the other hand, the Group could devote its resources on investment and operation of solar power plants which generate stable electricity income; (iii) as refer to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the receipt of cash consideration of HK$217.0 million upon Completion will bring a significant increase by approximately 101.9% in cash and cash equivalents of the Group. It would immediately improve the liquidity condition of the Remaining Group given the net current liabilities of the Remaining Group would decrease by approximately HK$685.7 million after the Disposal; and (iv) the Remaining Group would incur a gain on Disposal of approximately HK$25.3 million assuming the Disposal were completed on 30 June 2014, details of which are set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this circular.

Based on the above, the Directors consider the terms of the Disposal Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal (after deducting the transaction expenses related to the Disposal of approximately HK$1.4 million) are estimated to be approximately HK$215.6 million, which the Company intends to apply approximately 70% of which (approximately HK$150.9 million) to the capital expenditure for the Group's solar power plants operation and the remaining 30% (approximately HK$64.7 million) for the general working capital purpose.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties and hence no Shareholder shall be required to abstain from voting at the SGM.

SGM

A notice convening the SGM to be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 24 October 2014 at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to Disposal Agreement and the transactions contemplated thereunder by way of poll.

Any Shareholder with a material interest in the Disposal and his associates will abstain from voting on resolution approving the Disposal Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best knowledge of the Directors having made reasonable enquiries, no Shareholder is required to abstain from voting. All Shareholders will be entitled to vote on the resolution approving the Disposal Agreement and the transactions contemplated thereunder at the SGM.

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

RECOMMENDATIONS

The Board considers that the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to approve the Disposal Agreement and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

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

In this circular, the conversion of RMB into Hong Kong dollars have been made at a rate of RMB1 to HK$1.26 and the conversion of US dollars into Hong Kong Dollars has been made at a rate of US$1 to HK$7.75, unless otherwise stated. Such conversions are for reference only and should not be construed as representations that the RMB amount or US dollars could be converted into Hong Kong dollars at that or any other rate.

Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "Conditions precedent" in this circular, including the approval of the Disposal Agreement and the transactions contemplated thereunder by Shareholders at the SGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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

Hong Kong, 8 October 2014

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group and management discussion and analysis of the Group for the six months ended 30 June 2014 are set out in the 2014 Interim Report (pages 3 to 45) published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.unitedpvgroup.com).

Details of the financial information of the Group and the related management discussion and analysis of the Group, for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively have been set out in the Company's annual reports for the financial years ended 31 December 2011 (pages 31 to 94 and 6 to 9), 31 December 2012 (pages 33 to 96 and 5 to 8) and 31 December 2013 (pages 80 to 158 and 12 to 27), which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.unitedpvgroup.com).

2. INDEBTEDNESS OF THE GROUP

Indebtedness

As at the close of business on 31 August 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	The Group			
	Secured	**Unsecured**		
		Guaranteed	**Non-Guaranteed**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	1,250,267	—	754,308	2,004,575
Loans due to third parties	18,858	—	132,631	151,489
Amounts due to related companies	56,573	—	137,170	193,743
Amounts due to associates	—	—	55,315	55,315
Other payables	—	—	3,452,625	3,452,625
	1,325,698	—	4,532,049	5,857,747

Bank borrowings

Bank borrowings of RMB80,000,000 (approximately HK$100,574,000) of the Group were secured by certain land use rights, buildings, investment properties and pledged bank deposits of the Group.

Bank borrowings of RMB875,000,000 (approximately HK$1,100,034,000) of the Group were secured by the pledge of the fee collection right in relation to the sales of electricity and charge over 130MW solar power plant projects. Another bank borrowing of approximately RMB39,500,000 (approximately HK$49,659,000) of the Group were secured by time deposits.

The remaining amounts of approximately HK$754,308,000 were unsecured.

Loans due to third parties

Except for RMB15,000,000 (approximately HK$18,858,000) of the Group were secured by certain property, plant and equipment of the Group, the remaining amounts of approximately HK$132,631,000 were unsecured.

Amounts due to related companies

Except for RMB45,000,000 (approximately HK$56,573,000) of the Group were secured by certain land use rights, property, plant and equipment and investment properties of the Group, the remaining amounts of approximately HK$137,170,000 were unsecured.

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

	The Group			
	Secured	Unsecured		
		Guaranteed	Non-Guaranteed	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Series A convertible notes	—	—	30,000	30,000
Series B convertible notes	—	—	847,964	847,964
US$120 million convertible notes	1,255,500	—	—	1,255,500
HK$233 million convertible notes	—	—	232,959	232,959
Financial liability at fair value through profit or loss	—	—	282,866	282,866
	1,255,500	—	1,393,789	2,649,289

Convertible notes

On 10 June 2013, the Company issued two convertible notes, Series A convertible notes and Series B convertible notes, in the principal amount of HK$312,483,750 and HK$847,964,000 respectively as part of the consideration for acquisition of China Solar Power Group Limited ("CSPG"), which is engaged in the provision of solar energy products and development, operation and management of solar power plants.

Series A convertibles note is interest free and is convertible into shares of the Company at a conversion price of HK$1.00 per share at any time after the first anniversary date of the issue up to 9 June 2018. On 20 June 2014, Series A convertible notes in the principal amount of HK$282,483,750 was converted into shares of the Company. Series B convertible notes are interest free and are convertible into shares of the Company at a conversion price of HK$1.00 per share at any time up after the release of pledge upon the announcement of the Company fulfilment of the profit guaranteed terms as specified in the relevant sales and purchases agreement to 9 June 2018.

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

On 27 December 2013, the Company issued a five-year unsecured convertible note in the principal amount of HK$232,959,339. The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$1.60 per share at any time up to the maturity date on 26 December 2018.

Financial liability at fair value through profit or loss

On 27 December 2013, the Group granted a put option to Huabei Expressway Co. Ltd (''Huabei Expressway''), the shareholder of the remaining 50% equity interest in Fengxian Huize Photovoltaics Energy Limited* (豐縣暉澤光伏能源有限公司) ("Fengxian Huize") (''Huabei Sales Interest''), to request the Group to acquire the Huabei Sales Interest at RMB225,000,000 (equivalent to approximately HK$282,866,000) with a return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016 (the ''Put Option''). The Put Option was recognised as a financial liability at fair value through profit or loss.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have: (a) any other debt securities issued and outstanding, and authorised or otherwise created but unissued; (b) any other term loans (whether guaranteed, unguaranteed, secured or unsecured); (c) any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any other mortgages or charges; or (e) any other material guarantees or contingent liabilities at the close of business on 31 August 2014.

3. WORKING CAPITAL STATEMENT

As at the date of this Circular, the Group would not have sufficient working capital for its then present requirement, that is for at least 12 months from the date of this Circular. As at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately HK$3.8 billion. Section A below details the financing measures undertaken by the Directors to finance the working capital of the Group for at least the next 12 months from the date of the Circular. Section B below details the financing plans of the Group to finance the uncommitted planned capital expenditures of approximately RMB5.3 billion (equivalent to approximately HK$6.7 billion) of the Group for the next twelve months.

A. Financing measures undertaken by the Directors

On 27 August 2014, the Group entered into a sale and purchase agreement with Power Solar Investments Limited, an independent third party, pursuant to which the Group has conditionally agreed to sell a 70% equity interest in Fortune Arena Limited, a wholly owned subsidiary of the Company, for a cash consideration of HK$217.0 million. The Company intends to apply this cash consideration to the capital expenditure and the general working capital for the Group's solar power plants operation. The completion of the disposal is dependent upon the fulfillment of the conditions precedent set forth in the Disposal Agreement.

Furthermore, as at the date of this Circular, the Group is in the process of negotiating several long-term loan facilities with China Development Bank, with aggregate principal amounts of approximately RMB1.48 billion (equivalent to approximately HK$1.86 billion). These facilities will be secured by the Group's solar power plants in Qinghai Gonghe, the PRC, with aggregate installed capacity of approximately 200MW. In August 2014, an 8-year loan facility of RMB150 million (equivalent to approximately HK$189 million) had already been granted and drawn down. In addition, in September 2014, another 11-year loan facility of RMB150 million (equivalent to approximately HK$189 million) had been granted, RMB70 million (equivalent to approximately HK$88 million) of which had already been drawn down.

In addition, the Group is also in the process of negotiating a long-term facility of approximately RMB5.0 billion (equivalent to approximately HK$6.3 billion) with a bank in the PRC, which will be secured by the fee collection right in relation to the sales of electricity and certain solar power plants currently held by the Group. The actual collateral to be pledged for this long-term facility is subject to final negotiation between the Group and the bank.

The above-mentioned long-term banking facilities are expected to be obtained over the next twelve months after the date of the Circular, depending on the approval process of the respective banks.

In August 2014, Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司) ("CM Yinke"), a fellow subsidiary of a substantial shareholder of the Company, has renewed the letter of conditional financial support to the Group to enable it to meet its liabilities and obligations (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to 31 December 2016. Such financial support is intended to be provided to the Group for its solar energy projects undertaken if these projects could generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC. No maximum limit has been set out in the letter of conditional financial support and such financial support is conditional upon further assessment by CM Yinke on a project by project basis. All of the existing solar power plant projects of the Group and those that may be acquired by the Group in the next 12 months, are expected to generate an internal rate of return of not less than 8% per annum.

B. Financing plans of the Group to finance its uncommitted planned capital expenditures

As at the date of this Circular, the Group expects to incur capital expenditures of approximately RMB5.3 billion (equivalent to approximately HK$6.7 billion) for its solar energy initiatives in the next 12 months from the date of this Circular. None of the planned capital expenditures represents commitment of the Group and the expected cash flows relating to such uncommitted capital expenditures have not been taken into account when preparing the working capital forecast of the Group. The Directors will take the Group's financial position and financial resources into consideration before committing the Group to any future solar energy expenditure.

The uncommitted capital expenditures of approximately RMB5.3 billion (equivalent to approximately HK$6.7 billion) included the acquisitions of the project companies as set out in the Company's announcements dated 20 December 2013 and 21 July 2014, which include the conditional sale and purchase agreements in relation to the acquisitions of a 55% interest of Guodian Nailuntumotezuoqi Solar Power Company Limited* (國電奈倫土默特左旗光伏發電有限公司, "Target 2") and the entire equity interest of Gonghe County Xinte Photovoltaic Co., Ltd* (共和縣新特光伏發電有限責任公司) for consideration, including EPC cost payables, of approximately RMB695 million (equivalent to approximately HK$876 million) and approximately RMB215 million (equivalent to approximately HK$271 million), respectively.

In order to finance these uncommitted capital expenditures, the Directors are confident to assume that:

(1) approximately 70% of the estimated total capital expenditures, estimated to be approximately RMB3.7 billion (equivalent to approximately HK$4.7 billion), would be financed by new banking facilities, given the Group's past experience in securing a long-term bank borrowing of approximately RMB0.9 billion (equivalent to approximately HK$1.1 billion) to finance 72% of the total capital expenditures incurred of approximately RMB1.3 billion (equivalent to approximately HK$1.6 billion) for the 100MW solar power plant project in Jiayuguan, and

(2) the remaining 30% of such capital expenditures, estimated to be approximately RMB1.6 billion (equivalent to approximately HK$2.0 billion) would be funded by internal resources and the conditional financial support from CM Yinke, as mentioned above.

Conclusion

Taking into account the expected completion of the proposed disposal of a 70% equity interest in the Disposal Group, and (i) the ability to secure the remaining long-term bank loans of approximately RMB1.2 billion (equivalent to approximately HK$1.5 billion) from China Development Bank; (ii) the ability to obtain the additional long-term banking facilities of approximately RMB5.0 billion (equivalent to approximately HK$6.3 billion) from a bank in the PRC; (iii) the availability of the financial resources available to the Group, including the internally generated funds; and (iv) the availability of the conditional financial support up to 31 December 2016 from CM Yinke, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular.

If the Group fails to obtain the conditional financial support from CM Yinke on its solar energy projects and if it is not able to obtain the long-term loan of approximately RMB5.0 billion (equivalent to approximately HK$6.3 billion) from a bank in the PRC, the Group will not have sufficient working capital for at least 12 months from the Circular date, taking into account the expected completion of the proposed disposal of a 70% equity interest in the Disposal Group.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in the 2014 Interim Report in relation to the impairment charge on property, plant and equipment of approximately HK$214,122,000, the Directors confirm that, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon the Completion, the Remaining Group is principally engaged in the development, investment, operation and management of solar power plants.

Prospects

The worsening environmental issues are raising concerns globally. In response, countries worldwide are becoming increasingly proactive and supportive in developing renewable energy sources, among which, solar energy is accounted for a lion share.

According to the European Photovoltaic Industry Association (EPIA), a worldwide industry association for the solar photovoltaic electricity market, with 37GW of newly-installed capacity in 2013, the global cumulative installed capacity reached 136.7GW by the end of 2013, representing an increase by 35% as compared to 2012. China, being the world's largest solar market in 2013, installed around 11GW of solar modules in 2013. It is expected that such trend is bound to continue.

The solar energy industry in China is policy-driven. The pulse of this market is tied to the swings in the macro-economy and government policies. The supporting policies within the solar energy industry from the PRC government coupled with the declining cost of price for solar cell products have led to lower installation costs and better return for solar power plant operators in the PRC.

Since 2012, the Remaining Group has completed acquisitions of certain companies engaged in the development, investment, operation and management of solar power plants. As at 30 June 2014, the Remaining Group and the associates of the Company beneficially owned and operated 12 solar power plants and entered into definitive agreement to acquire 1 solar power plant. These 13 solar power plants have aggregate installed capacity of approximately 521.2MW, covering Guangdong, Gansu, Jiangsu, Qinghai and Inner Mongolia, all of which have been grid connected and generating electricity.

As stated in the 2014 Interim Report, given the solar installation target of 35GW by 2015 set by the Chinese government under its Five-Year Plan and the 14GW of installations nationwide in 2014 earmarked by the National Energy Administration of China, the Company considers that the solar power plant business will generate stable electricity income and will be the growing drive of the business of the Remaining Group. As stated in the 2014 Interim Report, the revenue from the sales of electricity (including tariff adjustment) and the sales of solar cells for the first half of 2014 was approximately HK$161 million and HK$77 million, representing an increase of 90,809.0% in the segment of solar power plants and a decrease of 50.8% in the segment of solar cells respectively compared to the corresponding period in 2013. Based on the above, the

Directors consider that it is in the interest of the Remaining Group to carry out the Disposal which would enable the Remaining Group to focus its resources in investing and operating solar power plants.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The Remaining Group is principally engaged in the development, investment, operation and management of solar power plants.

Set out below is the management discussion and analysis on the Remaining Group for each of the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 and six months ended 30 June 2014 (the "Relevant Period").

For the six months ended 30 June 2014

Financial review

The Remaining Group would have one business segment after the Disposal, which is the development, investment, operation and management of solar power plants. During the six months ended 30 June 2014, the Remaining Group's turnover amounted to approximately HK$159 million. It mainly represented the sales of electricity from the solar power plants.

With the steady development of the solar power generation business, the Remaining Group has further acquired 6 well-built and grid-connected solar power plants during the period under review. Net profit was recorded for the Remaining Group as a result of the increase in the sales of electricity. The cost of sales for the Remaining Group mainly represented the depreciation charge for the power generating equipment. Moreover, the Remaining Group's net profit of approximately HK$667 million which mainly arose from (i) the contribution of the 6 newly acquired, well-built and grid-connected solar power plants during the period; (ii) fair value gain of approximately HK$444 million as a result of subsequent remeasurement of fair value on the Remaining Group's contingent consideration payables based on a valuation report issued by an independent valuation specialist; and (iii) fair value gain on put option issued relating to acquisition of Fengxian Huize of approximately HK$93 million based on a valuation report issued by an independent valuation specialist.

Business review

During the period, the Remaining Group further strengthened the efforts in developing the business segment — development, investment, operation and management of solar power plants, which has become the sole business segment to the Remaining Group, after expanding into downstream business of photovoltaics industry by acquiring CSPG in mid-2013.

As of 30 June 2014, the Remaining Group and an associate of the Company beneficially owned and operated 12 well-built and grid-connected solar power plants across China, covering Guangdong, Gansu, Jiangsu, Qinghai and Inner Mongolia, with an aggregate installed capacity of 456.2MW. Among those plants, the Remaining Group owned and operated 10 solar power plants with an aggregate installed capacity of 432.4MW, while an associate of the Company operated 2 roof-top solar power plants with an aggregate installed capacity of 23.8MW in Jiangsu. The Remaining Group is in the process of completing the acquisition of one project company owning a solar power plant with an aggregate installed capacity of 65MW in Inner Mongolia, for which the conditions precedent to the completion have not yet been satisfied. Upon the completion of such acquisition, the Remaining Group will beneficially own and operate 13 solar power plants.

In the first half of 2014, the Remaining Group continued to acquire 6 well-performed solar power plants and construct another roof-top solar power plant, with an aggregate installed capacity of 310.3MW. Namely, on 27 and 28 March 2014, the Remaining Group completed the acquisition of 50MW and 40MW solar power plants in Inner Mongolia respectively. The 50MW solar power plant was the first solar power project that had been successfully acquired since the introduction of the Photovoltaic Green Ecosystem Organization ("PGO"), as well as a landmark of the Remaining Group's 195MW solar power plants acquisition project with Guodian Inner Mongolia New Energy Investment Limited* (國電蒙電新能源投資有限公司) and Forty-Eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團公司第四十八研究所) ("Forty-Eighth Research Institute"). On 4 April 2014 and 13 June 2014, the Remaining Group completed the acquisition of the 40MW solar power plant in Inner Mongolia and the remaining 55% of equity interest of a company which owned 3 solar power plants with an aggregate installed capacity of approximately 180MW in Qinghai respectively. Besides acquisition, the Remaining Group has constructed another roof-top solar power plant with an aggregate installed capacity of 0.3MW in Qianhai, Shenzhen, which has achieved on-grid connection in March 2014.

With a view to ensure smooth operation of those on-grid solar power plants, the Remaining Group has optimised and effectively safeguarded operation and maintenance management. The Remaining Group is proud of being the forerunner in the industry and among all listed solar power companies to disclose the volume of electricity generation by quarter since April 2014. The 13 solar power plants have performed well, generating electricity in the volume of approximately 237 million KWh in the first half year of 2014.

Comparing the electricity generation volume between the two quarters in the first half of 2014, the Remaining Group recorded a rapid improvement in the second quarter, mainly due to: 1) solar power plants in Qinghai commenced operation after the trial running; 2) the gradual improvement in curtailment in Gansu; 3) the enhanced operational management and electric power marketing.

For the six months ended 30 June 2014, revenue derived from the sales of electricity amounted to approximately HK$159 million as a result of the increased sales of electricity. A net profit of approximately HK$667 million was recorded, mainly because of the non-cash fair value gain on contingent consideration payables and fair value gain on put option issued relating to acquisition of Fengxian Huize.

In the meantime, the Remaining Group has been working closely with China Merchants Group's subsidiaries, state-owned enterprises and industrial partners and taking a proactive role to acquire on-grid connected solar power plants. On 9 January 2014, the Remaining Group entered into a cooperation agreement for the proposed acquisition of 500MW solar power plants with China Triumph International Engineering Co. Ltd.* (中國建材國際工程集團有限公司) and Huawei Technology Company Limited* (華為技術有限公司). On 21 January 2014, the Remaining Group entered into a framework agreement with GD Solar Company Ltd* (國電光伏有限公司) ("GD Solar"). to acquire 400MW solar power plants; On 14 April 2014, the Remaining Group signed a framework agreement with Yingli Energy (China) Company Limited* (英利能源(中國)有限公司) for the conditional acquisition of 300MW solar power plants.

In order to finance its investment in the solar power plants, the Remaining Group has diversified its financing channels. On 19 February 2014, the Remaining Group entered into a strategic cooperation agreement with the Shenzhen Branch of China Development Bank ("CDBSZ"), pursuant to which CDBSZ will provide financing for the Remaining Group's solar power plants with an aggregate installed capacity of approximately 1GW; On 16 April 2014, the Remaining Group entered into a strategic cooperation agreement with China Financial Leasing Company Limited* (中國金融租賃有限公司) ("Sinolease"), a financial leasing company pursuant to which, Sinolease intended to provide the Remaining Group with finance lease of no less than RMB10 billion, to support the Remaining Group's acquisitions, development and construction of solar power plants in China and overseas during the time of 5 years. The Remaining Group has been in the process of negotiating several long-term loans with China Development Bank with aggregate principal amounts of approximately RMB1.48 billion (equivalent to approximately HK$1.86 billion), of which a loan of RMB150 million (equivalent to approximately HK$189 million) was granted on 27 August 2014. Furthermore, the Remaining Group has also been in the process of negotiating long-term banking facilities of approximately RMB5.0 billion (equivalent to approximately HK$6.3 billion) with a renowned bank in the PRC.

Liquidity, financial resources, gearing ratio and capital structure

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank borrowings, issuance of convertible notes and placing of shares. The Remaining Group adopts a prudent treasury management policy to maintain sufficient working capital. As at 30 June 2014, the Remaining Group recorded total assets of approximately HK$8,644 million, current liabilities of approximately HK$3,881 million, non-current liabilities of approximately HK$2,931 million and shareholders' equity of approximately HK$1,832 million. The net current liabilities position of the Remaining Group was approximately HK$3,091 million as at 30 June 2014. In order to finance the working capital of the Remaining Group, certain financing measures have been undertaken by the Directors as set out in the note 2.1 — Going-concern basis of the Notes to the unaudited condensed interim financial information of the 2014 Interim Report.

The Remaining Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital, was approximately 58.1%. Net debt is calculated as total borrowings (including current and non-current bank borrowings, loans from a third party, construction costs payable and convertible notes) less cash and cash equivalents.

Borrowings

Set out below maturity profile of the Remaining Group's borrowings as at 30 June 2014:

	As at 30 June 2014 *HK$'000*
Amounts due within one year:	
– Current portion of long-term bank borrowing	62,992
– Short-term bank borrowings	805,669
– Loan from a third party	132,913
	1,001,574
Amount due over one year:	
– Long-term bank borrowing	850,394
Total borrowings	1,851,968

The long term bank borrowing which was wholly repayable in 13 years, and the short-term bank borrowings were wholly repayable within one year. The loan from a third party was unsecured, interest-free, repayable on demand and denominated in RMB. As at 30 June 2014, utilised facilities from CDBSZ and Sinolease amounted to approximately HK$913 million and nil respectively. As at 30 June 2014, approximately 44% of the total principal amount of bank borrowings and a loan from a third party of the Remaining Group were at fixed interest rates. The effective interest per annum of borrowings at the end of the reporting period was 8.68%.

The Remaining Group's bank borrowings were denominated in RMB while the cash and cash equivalents were denominated in HK$, RMB and US$. The convertible notes were denominated in HK$ and US$. The loan from a third party and construction costs payable were denominated in RMB.

Exchange risk exposure

The Remaining Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. The exchange rate of US$ against HK$ is relatively stable and related currency exchange risk is considered minimal. For the operations in the PRC, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. For the six months ended 30 June 2014, the Remaining Group did not enter into any financial instruments for hedging purposes nor did the Remaining Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks.

The Remaining Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associate. During the six months ended 30 June 2014, RMB fluctuated against the HK$ which gave rise to an unrealised loss of approximately HK$11.9 million on translation of these operations' net assets to the Remaining Group's HK$ reporting currency, including the share of the translation difference of an associate of the Remaining Group.

Charge on assets

As at 30 June 2014, bank borrowings of approximately HK$963 million of the Remaining Group were secured by (i) the pledge of the fee collection right in relation to the sales of electricity; (ii) charges over certain power generators and equipment with aggregate carrying amount of approximately HK$1,419 million as at 30 June 2014; and (iii) pledged bank deposits of approximately HK$64 million as at 30 June 2014.

As at 30 June 2014, certain convertible notes are secured by share mortgages over shares of certain subsidiaries, charge over assets of certain subsidiaries and a charge over a restricted bank account for interest reserve purpose.

Contingent liabilities

As at 30 June 2014, the Remaining Group had no significant contingent liability.

Capital expenditure commitment

As at 30 June 2014, the Remaining Group had no capital expenditure commitments.

Significant Investments and Material Acquisitions and Disposals

On 27 March 2014, 28 March 2014 and 4 April 2014, the Remaining Group completed the acquisition of the 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Limited* (國電察哈爾右翼前旗光伏發電有限公司), 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) and 89.78% equity interest in Guodian Tuoketuo County Solar Power Group Limited* (國電托克托縣光伏發電有限公司) respectively with an aggregate cash consideration of approximately RMB238 million (equivalent to approximately HK$300 million). Upon the completion of the aforesaid acquisitions, these companies became the subsidiaries of the Remaining Group.

On 7 January 2014, the Remaining Group completed the acquisition of a 45% equity interest in Changzhou Dinghui New Energy Limited* (常州鼎暉新能源有限公司) ("Changzhou Dinghui") with a total cash consideration of RMB4.5 million (equivalent to approximately HK$5.7 million). Changzhou Dinghui became an associate of the Remaining Group since then. On 13 June 2014 the Remaining Group further completed the acquisition of the remaining 55% equity interest in Changzhou Dinghui with a total cash consideration of RMB5.5 million (equivalent to approximately HK$6.9 million) ("55% Acquisition"). As a result, Changzhou Dinghui became a wholly-owned subsidiary of the Remaining Group.

For the six months ended 30 June 2014, except for the 55% Acquisition of Changzhou Dinghui, there was no major acquisition and disposal of other subsidiaries and associated companies.

As at the Latest Practicable Date, the Group had entered into the following definitive sale and purchase agreements to acquire certain equity interest in the project companies owning certain solar power plant projects, the completion of which had not yet taken place and would be subject to the fulfillment of the conditions precedent under the relevant definitive sale and purchase agreements:

(i) the sale and purchase agreement entered into among United Photovoltaics (Changzhou) Investment Co., Ltd.* (聯合光伏(常州)投資有限公司) ("UP (Changzhou)"), Huabei Expressway, and Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) ("Jiangsu Yongneng") dated 4 September 2014, pursuant to which Jiangsu Yongneng has conditionally agreed to sell and (i) UP (Changzhou) has conditionally agreed to purchase around 9.37% equity interest in a project company for a total cash consideration of RMB7,494,260 (equivalent to approximately HK$9,442,768) and (ii) Huabei Expressway has also conditionally agreed to purchase around 84.31% equity interest in the project company for a total cash consideration of RMB67,448,340 (equivalent to approximately HK$84,984,908);

(ii) the sale and purchase agreement dated 21 July 2014 entered into among UP (Changzhou), TBEA Sun Oasis Co., Ltd.* (特變電工新疆新能源股份有限公司) ("TBEA") and Xinjiang Sang'ou Solar Equipment Co., Ltd.* (新疆桑歐太陽能設備有限責任公司) ("Xinjiang Sang'ou"), pursuant to which, among other things, (i) TBEA and Xinjiang Sang'ou agreed to sell and UP (Changzhou) agreed to purchase the entire equity interest in a project company which owns a ground-based solar power plant with an aggregate installed capacity of approximately 20MW, for a total cash consideration of RMB43,000,000 (equivalent to approximately HK$54,180,000);

(iii) the sale and purchase agreement dated 19 December 2013 entered into between Forty-Eighth Research Institute and UP (Changzhou), pursuant to which, among other things, UP (Changzhou) will acquire 55% equity interest in a project company owning a solar power plant with electricity generation capacity of 65MW for a cash consideration of no more than RMB66,550,000 (equivalent to approximately HK$83,853,000).

In addition, the Group will continue to identify suitable investment opportunity to acquire the solar power plants with good prospects and potential for stable returns in the coming year.

The facilities to be obtained from the finance lease or crowd funding arrangements pursuant to the strategic co-operation agreements entered into on 16 April 2014 and 19 February 2014 respectively (as disclosed in the announcements of the Company dated 16 April 2014 and 19 February 2014 respectively) were not taken into account when preparing the working capital statement, as the Group is still in the preliminary stage in obtaining such financing.

The capital expenditures as required by such proposed acquisitions would be funded by internal resources, other forms of short-term or long-term financing that the Group is currently seeking, and the conditional financial support from CM Yinke to the Group as mentioned above.

Employees

As at 30 June 2014, the Remaining Group had 32 full-time employees in Hong Kong and 95 full-time employees in the PRC. The total number of full-time employees of the Remaining Group was 127. Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Remaining Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme, equity incentive scheme for the benefits of the directors and eligible employees of the members of the Remaining Group. Total staff cost (including directors' emoluments) for the six months ended 30 June 2014 amounted to approximately HK$31 million.

For the year ended 31 December 2013

Financial review

The Remaining Group would have one business segment after the Disposal, which is the development, investment, operation and management of solar power plants. During the financial year ended 31 December 2013, the Remaining Group's turnover amounted to approximately HK$38 million. It mainly represented the sales of electricity from the four solar power plants of which, three out of the four solar plants (representing approximately 98.4% of the aggregate installed capacity) were acquired in the second half of 2013.

The Remaining Group recorded a loss of approximately HK$2,193 million which was mainly due to (i) immediate impairment of goodwill arising from the acquisition of CSPG; (ii) the impairment of concession rights; (iii) fair value loss on the put option arising from the grant of a put option to Huabei Expressway, the shareholder of the remaining 50% equity interest in Fengxian Huize; and (iv) the finance costs in relation to convertible notes and bank borrowings.

Business review

On 10 June 2013, the Remaining Group completed the acquisition of a 92.17% of the issued share capital of CSPG, which marked as a milestone of the Remaining Group's expansion into business downstream by focusing on development, investment, operation and management of solar power plants.

In June 2013, a solar power plant with installed capacity of 100MW located in Gansu Province, the PRC achieved on-grid connection. In September 2013, a solar power plant with installed capacity of 20MW located in Qinghai Province, the PRC achieved on-grid connection successfully. The Remaining Group had four solar power plants with aggregate installed capacity of approximately 132.9MW in operation as of 31 December 2013.

On 27 December 2013, the Remaining Group completed the acquisition of 50% equity interest in Fengxian Huize which, together with its subsidiaries, is principally engaged in operating two roof-top solar power projects with an aggregate installed capacity of approximately 23.8MW and ecology agriculture and farming related business in Jiangsu Province, the PRC. Fengxian Huize was accounted for as an associate of the Remaining Group after the completion of acquisition. Accordingly, as of 31 December 2013, two solar power plants with aggregate installed capacity of approximately 23.8MW in operation were owned by Fengxian Huize, an associate of the Remaining Group.

Liquidity, financial resources, gearing ratio and capital structure

The Remaining Group adopts a prudent treasury management policy to maintain sufficient working capital. As at 31 December 2013, the Remaining Group recorded a total assets of approximately HK$4,517 million which was financed by liabilities of approximately HK$4,412 million and shareholders' equity of approximately HK$105 million.

As at 31 December 2013, the Remaining Group's cash and bank balances were approximately HK$129 million.

The Remaining Group's gearing ratio, being a ratio of net debt divided by total capital, was approximately 54.1%. The Remaining Group's principal sources of working capital included cash flow from operating activities, bank borrowings, loans from shareholders, a loan from a third party, proceeds from issuance of convertible notes and placing of shares.

Borrowings

Set out below maturity profile of the Remaining Group's borrowings as at 31 December 2013:

	As at 31 December 2013
	HK$'000
Amounts due within one year:	
– Current portion of long-term bank borrowing	63,595
– Short-term bank borrowings	50,240
– Loan from a third party	127,189
	241,024
Amount due over one year:	
– Long-term bank borrowing	839,449
Total borrowings	1,080,473

The long term bank borrowing which was wholly repayable in 13 years, and the short-term bank borrowings were wholly repayable within one year. The loan from a third party was unsecured, interest-free, repayable after 30 June 2014 and denominated in RMB. As at 31 December 2013, utilised facilities from CDBSZ and Sinolease amounted to approximately HK$903 million and nil respectively. As at 31 December 2013, approximately 5% of the total principal amount of bank borrowings and a loan from a third party of the Remaining Group were at fixed interest rates. The effective interest per annum of borrowings at the end of the reporting period was 6.41%.

The Remaining Group's bank borrowings were denominated in RMB while the cash and cash equivalents were denominated in HK$, RMB and US$. The convertible notes were denominated in HK$ and US$. The loans from shareholders, loan from a third party and construction costs payables were denominated in RMB.

Exchange risk exposure

The Remaining Group operates mainly in Hong Kong and the PRC. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. The exchange rate of US$ against HK$ is relatively stable and related currency exchange risk is considered minimal. For the operations in the PRC, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. During the year ended 31 December 2013, the Remaining Group did not enter into any financial instruments for hedging purposes nor did the Remaining Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks.

The Remaining Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associate. During the year ended 31 December 2013, RMB fluctuated against the HK$ which gave rise to an unrealised gain of approximately HK$20.9 million on translation of these operations' net assets to the Remaining Group's HK$ reporting currency, including the share of the translation difference of an associate of the Remaining Group.

Charge on assets

As at 31 December 2013, bank borrowings of approximately HK$953 million of the Remaining Group were secured by (i) the pledge of the fee collection right in relation to the sales of electricity ; (ii) charges over certain power generators and equipment with aggregate carrying amounts of approximately HK$1,463 million as at 31 December 2013; and (iii) pledged bank deposits of approximately HK$64 million as at 31 December 2013.

As at 31 December 2013, certain convertible notes were secured by share mortgages over shares of certain subsidiaries, charge over assets of certain subsidiaries and a charge over a restricted bank account for interest reserve purpose.

Contingent liabilities

As at 31 December 2013, the Remaining Group had no significant contingent liability.

Capital expenditure commitment

As at 31 December 2013, the Remaining Group had no capital expenditure commitments.

Significant Investments and Material Acquisitions and Disposals

On 10 June 2013, the Remaining Group completed the acquisition of 92.17% of the issued share capital of CSPG, which was satisfied by the allotment and issue of 959,462,250 shares of the Company and the issue of convertible notes in the principal amount of approximately HK$1,160 million. CSPG became a subsidiary of the Company.

On 27 December 2013, the Remaining Group completed the acquisition of 50% equity interest in Fengxian Huize with a total cash consideration of RMB225 million (equivalent to approximately HK$286 million). Fengxian Huize became an associate of the Company.

During the year, there was no disposal of subsidiaries and associated companies.

Employees

As at 31 December 2013, the Remaining Group had 31 full-time employees in Hong Kong and 83 full-time employees in the PRC. The total number of full-time employees of the Remaining Group was 114. Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance.

The Remaining Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme, employee incentive scheme for the benefits of the directors and eligible employees of the members of the Remaining Group.

Upon the completion of the acquisition of CSPG, the Company replaced the then employee incentive scheme ("EIS") by issuing 20,010,000 shares of the Company and convertible notes in the principal amount of HK$80,040,000 to the Sino Arena Investment Limited ("Sino Arena" or the "Trustee"), a BVI company, in exchange for the shares of CSPG held by the Trustee. The Trustee holds the shares and convertible bonds of the Company for and on behalf of eligible persons who were granted the shares according to the provisions of the EIS.

For the year ended 31 December 2012

In mid-2012, the Remaining Group had made an investment to acquire 9% equity interest in a company engaged in development and operation of solar power plants systems. Such investment had been accounted for as available for sale financial assets in 2012. In November 2012, the Remaining Group entered into an agreement to acquire the remaining equity interest in the said company and such acquisition was completed in June 2013. Save for the aforesaid, the Remaining Group had no material operation during the year ended 31 December 2012. The Remaining Group did not have any material borrowings, charge on assets, contingent liabilities, capital expenditure commitment, significant investments and material acquisitions and disposals for the year ended 31 December 2012.

For the year ended 31 December 2011

The Remaining Group started to invest in the business of solar power plants in 2012 and had no operation in such business during the year ended 31 December 2011.

7. PROPERTY VALUATION REPORT OF THE DISPOSAL GROUP

In order to give further information for Shareholders to consider, the Company supplemented the property valuation report of the Disposal Group from American Appraisal China Limited with the details of which is set out in Appendix IV to this circular for reference. The Directors have agreed with the assumptions applied by American Appraisal China Limited in preparing the property valuation report to estimate the market value of the real property interests held by the Disposal Group ("Property").

The Property held by the Disposal Group had a carrying amount of approximately HK$317.1 million which was classified as non-current assets on the unaudited consolidated statement of financial position of the Disposal Group as at 30 June 2014 (details of which are set out in Appendix II – Financial Information of the Disposal Group to this circular). The fair value of the Property, according to the property valuation report (details of which are set out in Appendix IV – Property Valuation Report of the Disposal Group to this circular), as of 31 August 2014 was approximately RMB279.2 million (equivalent to approximately HK$351.7 million) which indicated that the carrying amount of the Property was recoverable without any need for impairment.

In arriving at the Consideration, the Directors had taken into account of the net assets value of the Disposal Group as a whole based on the latest unaudited financial information of the Disposal Group as at 30 June 2014.

As disclosed in notes (3) on page IV-6 of this circular, the construction work of item 14, also known as Dormitory No. 11, was pending. The purpose of the construction of Dormitory No. 11 was to cater for the possible rise in headcounts to cope with the business expansion of solar cells plant of the Disposal Group as originally planned. However, due to the strong headwinds in the average selling price of solar cell and weak market demand for solar cell from the overseas end market during the last several years, the utilisation rate of the solar cells production capacity of the Disposal Group has remained low during the past few years (details of which are set out in the section headed "Reasons for and benefits of the Disposal") and there is no need to increase in the headcounts of the Disposal Group. The Disposal Group has ceased to carry out the expansion plan, hence, there was no significant increase in the headcounts of the Disposal Group.

In view of the cessation of the expansion plan of the Disposal Group and it's the Group's strategy to deploy prudent control on the solar cell business of the Disposal Group, the Group currently has no plan to further deploy resources to complete the construction. The management of the Disposal Group/Group would not expect further capital expenditure to be incurred in the foreseeable future.

Relevant accounting policies adopted by the Group in connection with the Property

As stated in the Note 2 to the Financial Statements of 2013 annual report, the accounting policies adopted by the Group (as well as the Disposal Group) for the Property are summarised below:

Property, plant and equipment

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

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

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

Buildings	20 years
Power generators and equipment	25 years
Plant and machinery	5–8 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	4–5 years

Construction in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of 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 income statement.

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 reverse a previous impairment loss, the gain is recognised in the consolidated income statement. On the other hand, if the fair value of the property, plant and equipment decreased, the decrease is recognised in the consolidated income statement.

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 impairment loss. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

UNAUDITED FINANCIAL INFORMATION OF FORTUNE ARENA LIMITED (THE "DISPOSAL COMPANY") AND ITS SUBSIDIARIES (TOGETHER THE "DISPOSAL GROUP")

Set out below are the unaudited consolidated statements of financial position of the Disposal Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the unaudited consolidated income statements, unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the Disposal Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 (the "Unaudited Financial Information").

The Unaudited Financial Information has been presented on the basis set out in Note 2 and prepared in accordance with the accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2013, and the new accounting standards introduced that have been effective for the period ended 30 June 2014, where applicable, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules.

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular in connection with the disposal of the Disposal Group (the "Disposal"). The Company's reporting accountant was engaged to review the financial information of the Disposal Group set out on pages II-2 to II-11 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unqualified review report which contains an emphasis of matter paragraph set out below:

EMPHASIS OF MATTER

"We draw attention to Note 2.1 to the Unaudited Financial Information which states that the Disposal Group incurred a net loss of approximately HK$271,744,000 for the six months ended 30 June 2014 and, as of that date, the Disposal Group's current liabilities exceeded its current assets by approximately HK$708,423,000. These conditions, along with other matters as described in Note 2.1, indicated the existence of a material uncertainty which may cast significant doubt about the Disposal Group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter."

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited			
	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Land use rights	143,082	139,909	140,870	137,917
Property, plant and equipment	675,519	857,165	863,525	697,624
Investment properties	6,370	5,901	48,485	48,025
Investment in an associate	5,123	4,456	3,555	–
Intangible assets	612,788	–	–	–
Prepayments for purchase of plant and equipment	67,972	40,945	93,223	30,396
	1,510,854	1,048,376	1,149,658	913,962
Current assets				
Inventories	22,272	28,813	4,949	4,840
Trade and bills receivable, other receivables, deposits and prepayments	273,678	194,873	222,680	236,894
Amount due from a fellow subsidiary	–	–	889	881
Pledged bank deposits	55,180	81,419	87,037	85,386
Cash and bank balances	153,893	16,505	8,496	9,438
	505,023	321,610	324,051	337,439
Total assets	2,015,877	1,369,986	1,473,709	1,251,401
EQUITY AND LIABILITIES				
Equity attributable to owner of the Disposal Company				
Share capital	–	–	–	–
Reserves	1,190,583	442,932	345,159	70,321
Total equity	1,190,583	442,932	345,159	70,321

	Unaudited			
	As at 31 December			As at 30 June
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Deferred government grant	84,000	84,000	109,293	106,543
Deferred tax liabilities	31,693	31,339	29,361	28,675
Amount due to a shareholder of the ultimate holding company	–	5,000	–	–
	115,693	120,339	138,654	135,218
Current liabilities				
Trade and bills payables, other payables and accruals	331,268	477,967	574,593	646,168
Amount due to the ultimate holding company	231,535	229,983	232,650	238,234
Amounts due to fellow subsidiaries	–	–	23,508	23,507
Amount due to a shareholder of the ultimate holding company	500	–	5,000	–
Amount due to an associate	–	–	18,442	18,268
Short-term bank borrowings	136,472	98,765	135,703	100,787
Loan from a third party	–	–	–	18,898
Current income tax liabilities	9,826	–	–	–
	709,601	806,715	989,896	1,045,862
Total liabilities	825,294	927,054	1,128,550	1,181,080
Total equity and liabilities	2,015,877	1,369,986	1,473,709	1,251,401
Net current liabilities	(204,578)	(485,105)	(665,845)	(708,423)
Total assets less current liabilities	1,306,276	563,271	483,813	205,539

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Unaudited				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	768,961	213,269	299,855	156,280	78,644
Cost of sales	(642,202)	(289,806)	(368,615)	(173,738)	(122,071)
Gross profit/(loss)	126,759	(76,537)	(68,760)	(17,458)	(43,427)
Other income	38,531	5,456	11,275	6,178	9,618
Other loss, net	–	(687)	(7,931)	(2,726)	(3,131)
Distribution costs	(4,619)	(3,187)	(726)	(220)	(307)
Administrative expenses	(52,739)	(40,653)	(42,992)	(32,194)	(13,564)
Impairment charge on goodwill *(Note 3(i) and 3(ii))*	(1,132,000)	(612,788)	–	–	–
Impairment charge on property, plant and equipment *(Note 3(iii))*	–	–	–	–	(214,122)
Operating loss	(1,024,068)	(728,396)	(109,134)	(46,420)	(264,933)
Finance income	973	1,629	1,825	1,056	493
Finance costs	(8,136)	(7,979)	(7,368)	(3,675)	(4,128)
Finance costs – net	(7,163)	(6,350)	(5,543)	(2,619)	(3,635)
Share of loss of an associate	–	(667)	(1,019)	(124)	(3,536)
Loss before income tax	(1,031,231)	(735,413)	(115,696)	(49,163)	(272,104)
Income tax (expense)/credit	(9,982)	(1,442)	3,715	359	360
Loss for the year/period attributable to owner of the Disposal Company	(1,041,213)	(736,855)	(111,981)	(48,804)	(271,744)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited				
	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year/period	(1,041,213)	(736,855)	(111,981)	(48,804)	(271,744)
Other comprehensive income/(loss)					
Item that will not be subsequently reclassified to profit or loss					
Revaluation surplus prior to transfer of buildings to investment properties, net of tax	–	–	2,409	–	–
Item that may be subsequently reclassified to profit or loss					
Exchange differences arising on translation of financial statements of subsidiaries	48,676	(10,796)	11,799	7,479	(3,094)
Total other comprehensive income/(loss) for the year/period, net of tax	48,676	(10,796)	14,208	7,479	(3,094)
Total comprehensive loss attributable to owner of the Disposal Company	(992,537)	(747,651)	(97,773)	(41,325)	(274,838)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Share capital HK$'000	Capital contribution from the ultimate holding company HK$'000	Property revaluation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Translation reserve HK$'000	Total HK$'000
Balance at 1 January 2011	–	2,162,537	–	20,583	–	2,183,120
Comprehensive loss						
Loss for the year	–	–	–	(1,041,213)	–	(1,041,213)
Other comprehensive income	–	–	–	–	48,676	48,676
Total comprehensive loss	–	–	–	(1,041,213)	48,676	(992,537)
Balance at 31 December 2011	–	2,162,537	–	(1,020,630)	48,676	1,190,583
Balance at 1 January 2012	–	2,162,537	–	(1,020,630)	48,676	1,190,583
Comprehensive loss						
Loss for the year	–	–	–	(736,855)	–	(736,855)
Other comprehensive loss	–	–	–	–	(10,796)	(10,796)
Total comprehensive loss	–	–	–	(736,855)	(10,796)	(747,651)
Balance at 31 December 2012	–	2,162,537	–	(1,757,485)	37,880	442,932
Balance at 1 January 2013	–	2,162,537	–	(1,757,485)	37,880	442,932
Comprehensive loss						
Loss for the year	–	–	–	(111,981)	–	(111,981)
Other comprehensive income	–	–	2,409	–	11,799	14,208
Total comprehensive loss	–	–	2,409	(111,981)	11,799	(97,773)
Balance at 31 December 2013	–	2,162,537	2,409	(1,869,466)	49,679	345,159

	Unaudited					
	Share capital	Capital contribution from the ultimate holding company	Property revaluation reserve	Retained earnings/ (accumulated losses)	Translation reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2013	–	2,162,537	–	(1,757,485)	37,880	442,932
Comprehensive loss						
Loss for the period	–	–	–	(48,804)	–	(48,804)
Other comprehensive income	–	–	–	–	7,479	7,479
Total comprehensive loss	–	–	–	(48,804)	7,479	(41,325)
Balance at 30 June 2013	–	2,162,537	–	(1,806,289)	45,359	401,607
Balance at 1 January 2014	–	2,162,537	2,409	(1,869,466)	49,679	345,159
Comprehensive loss						
Loss for the period	–	–	–	(271,744)	–	(271,744)
Other comprehensive loss	–	–	–	–	(3,094)	(3,094)
Total comprehensive loss	–	–	–	(271,744)	(3,094)	(274,838)
Balance at 30 June 2014	–	2,162,537	2,409	(2,141,210)	46,585	70,321

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss before income tax	(1,031,231)	(735,413)	(115,696)	(49,163)	(272,104)
Adjustments for:					
Amortisation of land use rights	3,173	3,173	3,217	1,613	1,625
Amortisation of intangible assets	9,524	–	–	–	–
Depreciation of property, plant and equipment	36,812	38,597	49,668	20,008	27,883
Provision for inventories obsolescence	4,265	11,490	1,698	–	3,476
Provision for doubtful debts	–	9,028	12,803	7,509	–
Loss on disposal of property, plant and equipment	–	–	188	130	2
Impairment charge on goodwill	1,132,000	612,788	–	–	–
Impairment charge on property, plant and equipment	–	–	–	–	214,122
Revaluation loss of buildings prior to transfer to investment properties	–	–	7,194	–	–
Fair value loss/(gain) on investment properties	–	469	(37)	–	–
Share of loss of an associate	–	667	1,019	124	3,536
Amortisation of deferred government grant	–	–	(1,704)	–	(1,721)
Finance income	(973)	(1,629)	(1,825)	(1,056)	(493)
Finance expenses	8,136	7,979	7,368	3,675	4,128
Operating profits/(losses) before working capital changes	161,706	(52,851)	(36,107)	(17,160)	(19,546)
Changes in working capital:					
Inventories	45,142	(18,031)	22,166	(13,877)	(3,367)
Trade and other receivables, deposits and prepayments	(202,113)	77,500	(43,558)	(95,673)	(12,704)
Trade and bills payable, other payables and accruals	152,811	139,707	87,732	(24,093)	74,498
Amount due to the ultimate holding company	(92,971)	(13,080)	2,667	1,557	5,584
Amounts due to fellow subsidiaries	–	–	22,619	–	7
Cash generated from/(used in) operations	64,575	133,245	55,519	(149,246)	44,472
Interest paid	(8,136)	(7,979)	(7,368)	(3,675)	(4,128)
Income tax paid	(6,414)	(11,621)	–	–	–
Net cash generated from/(used in) operating activities	50,025	113,645	48,151	(152,921)	40,344

	Unaudited				
	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow from investing activities					
Purchase of property, plant and equipment	(314,156)	(193,216)	(76,388)	(9,912)	(21,681)
Prepayment for purchase of plant and equipment	(10,601)	–	(52,278)	–	–
Proceeds from government grant	84,000	–	24,100	24,167	–
Acquisition of an associate	(5,123)	–	–	–	–
Interest received	973	1,629	1,825	1,056	493
Net cash (used in)/generated from investing activities	(244,907)	(191,587)	(102,741)	15,311	(21,188)
Cash flow from financing activities					
Changes in pledged bank deposits	(13,399)	(26,239)	(5,618)	(1,051)	1,651
Changes in amount due to the ultimate holding company	231,535	–	–	–	–
Changes in amount due to a director	(13,500)	4,500	–	–	–
Changes in amount due to a shareholder of the ultimate holding company	–	–	–	125,541	(5,000)
Proceeds from amount due to an associate	–	–	18,442	–	–
Proceeds from bank borrowings	138,085	98,765	193,668	100,433	70,827
Repayment of bank borrowings	(91,963)	(136,472)	(160,249)	(100,433)	(104,589)
Proceeds from loan from a third party	–	–	–	–	18,972
Net cash generated from/(used in) financing activities	250,758	(59,446)	46,243	124,490	(18,139)
Net increase/(decrease) in cash and cash equivalents	55,876	(137,388)	(8,347)	(13,120)	1,017
Cash and cash equivalents at beginning of year/period	95,411	153,893	16,505	16,505	8,496
Exchange difference	2,606	–	338	229	(75)
Cash and cash equivalents at end of year/period	153,893	16,505	8,496	3,614	9,438

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1 GENERAL INFORMATION

On 27 August 2014, United Photovoltaics Group Limited (the "Company", together with its subsidiaries the "Group"), the ultimate holding company of the Disposal Group, entered into an agreement to dispose of a 70% equity interest of the Disposal Company for a total consideration of HK$217,000,000. Immediately after the completion of the Disposal, the Company will cease to have control over the Disposal Group and the Group's remaining interest in the Disposal Group will be accounted for as an associate of the Company.

2 BASIS OF PREPARATION

The Unaudited Financial Information of the Disposal Group has been prepared in accordance with the accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2013, and the new accounting standards introduced that are effective for the period ended 30 June 2014, where applicable, and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular and has been prepared under the historical cost convention as modified by the revaluation of investment properties, which are carried at fair values. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2.1 Going-concern

For the six-month period ended 30 June 2014, the Disposal Group incurred a net loss of approximately HK$271,744,000. As at 30 June 2014, the Disposal Group's current liabilities exceeded its current assets by approximately HK$708,423,000.

The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Disposal Group's ability to continue as a going concern.

The Directors have reviewed the Disposal Group's cash flow projections, which cover a period of twelve months from the latest balance sheet date. They are of the opinion that, taking into account the following, the Disposal Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the latest balance sheet date:

(i) As at 30 June 2014, the Disposal Group has a payable balance to the Company of approximately HK$238,234,000. In September 2014, the Company has confirmed its intention not to demand repayment of this balance from the Disposal Group within twelve months from the date of this Circular, and should the Disposal be completed, the balance would be capitalised as part of equity of the Disposal Company.

(ii) As at 30 June 2014, the Disposal Group has total banking facilities of approximately RMB335.0 million (equivalent to approximately HK$422.0 million), of which approximately RMB275.5 million have been utilised (equivalent to approximately HK$347.0 million) and approximately RMB59.5 million (equivalent to approximately HK$75.0 million) remained undrawn. These facilities will expire within a period of twelve months after the date of this Circular. Based on the good track record of renewal in the past, the Directors are of the opinion that these banking facilities could be renewed when they mature.

(iii) The Company has agreed to provide financial support to the Disposal Group so as to enable the Disposal Group to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations in the next twelve months from the date of this Circular or up to the date of completion of the Disposal, whichever is earlier. Should the Disposal be completed, Power Solar Investments Limited (the "Purchaser") and the Company have agreed to provide the financial support based on their respective shareholding to the Disposal Group so as to enable the Disposal Group to meet its liabilities as and when they fall due and carry on its business without a significant curtailment of operations in the next twelve months from the date of this Circular.

In the opinion of the Directors, in light of the above, the Disposal Group will have sufficient working capital to fulfil its financial obligations as and when they fall due within the next twelve months from the latest balance sheet date. Accordingly, the Directors are satisfied that it is appropriate to prepare the Unaudited Financial Information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Disposal Group can achieve the plans and measures described in (ii) to (iii) above. Whether the Disposal Group will be able to continue as a going concern would depend upon the Disposal Group's ability to generate adequate financing cash inflows through renewal of its banking facilities with the respective banks upon their maturities and obtaining the financial support from the Company and the Purchaser as needed. In respect of the availability of the Company's financial support, since the Group's current liabilities exceeded its current assets by approximately HK$3.8 billion as at 30 June 2014, the Company's ability to provide financial support would depend upon the Group's ability to generate adequate operating cash inflows from its business, obtain the necessary project financing from Shenzhen China Merchants Yinke Investment Management Limited, a fellow subsidiary of a shareholder of the Company; and to secure additional long-term bank financing. Should the Disposal Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Disposal Group's assets to their recoverable amounts, to provide for financial liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Unaudited Financial Information.

3 IMPAIRMENT CHARGES ON GOODWILL AND PLANT AND EQUIPMENT

(i) Impairment charge on goodwill in 2011

The impairment charge on goodwill arose following a decision in 2011 to postpone the Disposal Group's expansion plan of production capacity due to significant decline in global demand for photovoltaic cells and their market selling price. Following this decision, the Disposal Group reassessed the recoverable amount of its solar energy segment and an impairment charge of approximately HK$1,132,000,000 was made accordingly.

(ii) Impairment charge on goodwill in 2012

During the year ended 31 December 2012, an impairment charge of approximately HK$612,788,000 was recognised in the unaudited consolidated income statement as a result of the continuous poor market conditions in the solar energy market. In particular, the market price of solar photovoltaic cells dropped significantly during 2012 and the Disposal Group decided to further postpone its expansion plan of production capacity.

(iii) Impairment charge on plant and equipment in 2014

During the six months ended 30 June 2014, an impairment charge on property, plant and equipment of approximately HK$214,122,000 was recognised in the unaudited consolidated income statement as a result of the continuous poor market conditions in the solar energy market. In particular, due to the continued loss suffered by the Disposal Group, it has decided to terminate the expansion plan as originally planned and accordingly, further impairment was required.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal and the capitalisation of Shareholders' Loan had been taken place on 30 June 2014; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2013 as if the Disposal and the capitalisation of Shareholders' Loan had been taken place on 1 January 2013. This Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature does not purport to present the true picture of (i) the financial position of the Remaining Group as at 30 June 2014 or at any future date had the Disposal and the capitalisation of Shareholders' Loan been taken place on 30 June 2014; or (ii) the results and cash flows of the Remaining Group for the year ended 31 December 2013 or for any future period had the Disposal and capitalisation of Shareholders' Loan been taken place on 1 January 2013.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2014, the audited consolidated income statement, audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2013, and the unaudited financial information of the Disposal Group set out in Appendix II to this Circular, after giving effect to pro forma adjustments described in the notes and has been prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	Unaudited consolidated statement of financial position of the Group as at 30 June 2014		Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS						
Non-current assets						
Land use rights	138,498	(137,917)	–	–	–	581
Property, plant and equipment	6,590,673	(697,624)	–	–	–	5,893,049
Investment properties	48,025	(48,025)	–	–	–	–
Intangible assets	1,281,716	–	–	–	–	1,281,716
Investments in associates	296,466	–	–	71,700	–	368,166
Other receivables, deposits and prepayments	412,676	(30,396)	–	–	–	382,280
	8,768,054	(913,962)				7,925,792
Current assets						
Inventories	9,105	(4,840)	–	–	–	4,265
Trade and other receivables, deposits and prepayments	679,578	(236,894)	–	–	–	442,684
Amounts due from the associates	–	–	–	–	23,507	23,507
Financial asset at fair value through profit or loss	62,290	–	–	–	–	62,290
Amount due from a fellow subsidiary	–	(881)	–	–	881	–
Pledged bank deposits	149,086	(85,386)	–	–	–	63,700
Restricted cash	23,250	–	–	–	–	23,250
Cash and cash equivalents	203,658	(9,438)	–	217,000	–	411,220
	1,126,967	(337,439)				1,030,916
Total assets	9,895,021	(1,251,401)				8,956,708
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	433,126		–	–	–	433,126
Reserves	1,421,787		–	(21,300)	–	1,400,487
	1,854,913					1,833,613
Non-controlling interests	47,183		–	–	–	47,183
Total equity	1,902,096					1,880,796

	Unaudited consolidated statement of financial position of the Group as at 30 June 2014	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
LIABILITIES						
Non-current liabilities						
Convertible notes	955,987	–	–	–	–	955,987
Contingent consideration payables	800,923	–	–	–	–	800,923
Deferred government grant	109,000	(106,543)	–	–	–	2,457
Deferred tax liabilities	333,352	(28,675)	–	–	–	304,677
Cash-settled share-based payment	16,645	–	–	–	–	16,645
Long-term bank borrowings	850,394	–	–	–	–	850,394
	3,066,301	(135,218)				2,931,083
Current liabilities						
Trade and bills payable, other payables and accruals	3,697,316	(646,168)	–	1,445	–	3,052,593
Amount due to ultimate holding company	–	(238,234)	238,234	–	–	–
Amounts due to the fellow subsidiaries	–	(23,507)	–	–	23,507	–
Amounts due to the associates	37,165	(18,268)	–	–	881	19,778
Current portion of long-term bank borrowings	62,992	–	–	–	–	62,992
Short-term bank borrowings	906,457	(100,787)	–	–	–	805,670
Loans from third parties	151,811	(18,898)	–	–	–	132,913
Financial liability at fair value through profit or loss	70,883	–	–	–	–	70,883
	4,926,624	(1,045,862)				4,144,829
Total liabilities	7,992,925	(1,181,080)				7,075,912
Net assets	1,902,096	(70,321)				1,880,796

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

	Audited consolidated income statement of the Group for the year ended 31 December 2013	Pro forma adjustments			Unaudited pro forma consolidated income statement of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 6*	*Note 7*	*Note 8*	
Revenue	313,699	(299,855)	–	–	13,844
Tariff adjustment	23,879	–			23,879
	337,578	(299,855)			37,723
Cost of sales	(411,641)	368,615	–	–	(43,026)
Gross loss	(74,063)	68,760			(5,303)
Other income	12,436	(11,275)	–	–	1,161
Other loss, net	(66,946)	7,931	–	–	(59,015)
Distribution costs	(790)	726	–	–	(64)
Administrative expenses	(183,237)	42,992	–	–	(140,245)
Fair value gain on previously held interest in China Solar Power Group Limited ("CSPG") as a result of business combination	197,896	–	–	–	197,896
Estimated loss on the Disposal	–	–	(347,780)	–	(347,780)
Impairment charge on goodwill	(1,205,018)	–	–	–	(1,205,018)
Impairment charge on concession rights	(819,145)	–	–	–	(819,145)
Fair value loss on put option issued relating to acquisition of an associate	(163,782)	–	–	–	(163,782)
Operating loss	(2,302,649)	109,134			(2,541,295)
Finance income	183,100	(1,825)	–	–	181,275
Finance costs	(356,607)	7,368	–	–	(349,239)
Finance costs – net	(173,507)	5,543			(167,964)
Share of loss of an associate	(1,019)	1,019	–	(33,595)	(33,595)
Loss before income tax	(2,477,175)	115,696			(2,742,854)
Income tax credit	171,715	(3,715)	–	–	168,000
Loss for the year	(2,305,460)	111,981			(2,574,854)
Loss attributable to:					
Owners of the Company	(2,304,986)	111,981			(2,574,380)
Non-controlling interest	(474)	–			(474)
	(2,305,460)	111,981			(2,574,854)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2013	Pro forma adjustment			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 6*	*Note 7*	*Note 8*	
Loss for the year	(2,305,460)	111,981	(347,780)	(33,595)	(2,574,854)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation surplus prior to transfer of property, plant and equipment to investment properties, net of tax	2,409	(2,409)	–	723	723
Items that have been reclassified or may be subsequently reclassified to profit or loss					
Change in value of available-for-sale financial assets	(500)	–	–	–	(500)
Realisation of available-for-sale financial asset revaluation reserve in relation to a business combination	(197,896)	–	–	–	(197,896)
Exchange differences arising on translation of financial statements of subsidiaries and associates	32,736	(11,799)	–	3,540	24,477
Release of exchange reserve upon the Disposal	–	–	(37,880)	–	(37,880)
Total other comprehensive loss for the year, net of tax	(163,251)				(211,076)
Total comprehensive loss for the year	(2,468,711)				(2,785,930)
Attributable to:					
Owners of the Company	(2,468,258)				(2,785,477)
Non-controlling interest	(453)				(453)
	(2,468,711)				(2,785,930)

PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2013	Pro forma adjustment			Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 9*	*Note 10*	*Note 11*	
Cash flows from operating activities					
Loss before income tax expense	(2,477,175)	115,696	–	–	(2,361,479)
Adjustment for:					
Provision for inventories obsolescence	1,698	(1,698)	–	–	–
Provision for doubtful debt	12,803	(12,803)	–	–	–
Amortisation of land use rights	3,302	(3,217)	–	–	85
Depreciation of property, plant and equipment	82,986	(49,668)	–	–	33,318
Loss on disposal of property, plant and equipment	188	(188)	–	–	–
Revaluation loss of buildings prior to transfer to investment properties	7,194	(7,194)	–	–	–
Fair value gain on investment properties	(37)	37	–	–	–
Fair value gain on contingent consideration payables	(43,278)	–	–	–	(43,278)
Fair value gain on previously held interests in CSPG	(197,896)	–	–	–	(197,896)
Impairment charge on goodwill in relation to acquisition of CSPG	1,205,018	–	–	–	1,205,018
Impairment charge on concession rights	819,145	–	–	–	819,145
Fair value loss on put option issued relating to acquisition of an associate	163,782	–	–	–	163,782
Fair value loss on financial asset at fair value through profit or loss	100,589	–	–	–	100,589
Share-based payment expenses	63,619	–	–	–	63,619
Share of loss of an associate	1,019	(1,019)	–	–	–
Amortisation of deferred government grant	(3,582)	1,704	–	–	(1,878)
Interest income	(183,100)	1,825	–	–	(181,275)
Interest expense	356,607	(7,368)	–	–	349,239

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2013	Pro forma adjustment			Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 9*	*Note 10*	*Note 11*	
Operating loss before working capital changes	(87,118)				(51,011)
Changes in working capital					
Inventories	29,942	(22,166)	–	–	7,776
Trade and other receivables, deposits and prepayments	727,019	43,558	–	–	770,577
Amount due to the ultimate holding company	–	(2,667)	2,667	–	–
Amounts due to the fellow subsidiaries	–	(22,619)	22,619	–	–
Amount due to the associate	–	–	(25,286)	–	(25,286)
Financial asset at fair value through profit or loss	(6,282)	–	–	–	(6,282)
Trade and bills payable, other payables and accruals	(193,158)	(87,732)	–	–	(280,890)
Cash generated from operations	470,403				414,884
Interest paid	(75,337)	7,368	–	–	(67,969)
Income tax paid	–	–	–	–	–
Net cash generated from operating activities	395,066				346,915

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2013	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 9*	*Note 11*	
Cash flow from investing activities				
Acquisitions of subsidiaries, net of cash acquired	112,099	–	–	112,099
Acquisitions of an associate	(286,264)	–	–	(286,264)
Purchase of property, plant and equipment	(84,366)	76,388	–	(7,978)
Prepayment for purchase of plant and equipment	(327,665)	52,278	–	(275,387)
Deposits for investments	(100,000)	–	–	(100,000)
Net proceeds from the Disposal, net of cash disposed of	–	–	200,495	200,495
Interest received	1,826	(1,825)	–	1
Proceeds from government grant	26,223	(24,100)	–	2,123
Net cash used in investing activities	(658,147)			(354,911)
Cash flow from financing activities				
Net proceeds from placing of new shares	92,297	–	–	92,297
Net proceeds from issuance of new shares upon exercise of share options	2,245	–	–	2,245
Increase in pledged bank deposits	(69,318)	5,618	–	(63,700)
Increase in restricted cash	(23,250)	–	–	(23,250)
Net proceeds from issuance of convertible notes	1,123,606	–	–	1,123,606
Proceeds from amounts due to shareholders	200	–	–	200
Proceeds from amount due to the associate	18,442	(18,442)	–	–
Proceeds from bank borrowings	374,184	(193,668)	–	180,516
Repayment of bank borrowings	(1,164,148)	160,249	–	(1,003,899)
Loan from a third party	12,719	–	–	12,719
Net cash generated from financing activities	366,977			320,734
Net increase in cash and cash equivalents	103,896			312,738
Cash and cash equivalents at beginning of year	32,297	(16,505)	16,505	32,297
Effect of foreign exchange rate change	1,220	(338)	–	882
Cash and cash equivalents at end of year	137,413			345,917

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

1 The amounts are extracted from (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2014 as set out in the published interim report of the Company for the six months ended 30 June 2014; and (ii) the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2013 as set out in the published annual report of the Company for the year ended 31 December 2013.

2 The adjustment reflects the exclusion of the assets and liabilities of the Disposal Group as at 30 June 2014, which is extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 30 June 2014, as set out in Appendix II to this Circular assuming the Disposal had been taken place on 30 June 2014.

3 The adjustment represents the capitalisation of the amount due to ultimate holding company of approximately HK$238,234,000, assuming the Disposal had been taken place on 30 June 2014.

4 The adjustment reflects the estimated gain on the Disposal as if the Disposal and the capitalisation of Shareholders' Loan had been taken place on 30 June 2014. The calculation of the estimated gain on the Disposal is as follows:

	HK$'000
Cash consideration for the Disposal	217,000
Estimated fair value of the remaining 30% equity interest in the Disposal Group (i)	71,700
Less:	
Net assets of the Disposal Group as at 30 June 2014	(70,321)
Capitalisation of Shareholders' loan as at 30 June 2014	(238,234)
Estimated direct expenses in relation to the Disposal	(1,445)
Estimated loss on the Disposal before release of the cumulative exchange reserve attributable to the Disposal Group	(21,300)
Release of cumulative exchange reserve attributable to the Disposal Group upon completion of the Disposal	46,585
Estimated gain on the Disposal as at 30 June 2014	25,285

Since the Group will cease to have control over the Disposal Group as a result of the Disposal, any retained interest in the Disposal Group to be held by the Company is required to be stated at fair value under Hong Kong Financial Reporting Standards ("HKFRS"). For the purpose of preparing the Unaudited Pro Forma Financial Information, the fair value of the remaining 30% equity interest in the Disposal Group was based on a separate valuation report prepared by an independent valuer, American Appraisal China Limited, dated on 8 October 2014. The fair value of the remaining 30% equity interest in the Disposal Group was valued by using the market approach based on historical enterprise value to revenue ("EV/Revenue") multiples and historical enterprise value to invested capital ("EV/Invested capital") multiples of comparable companies. The multiples used in the valuation includes:

EV/Revenue:	1.0
EV/Invested capital:	1.0

Since the amount of Shareholders' loan to capitalise, the fair value of the remaining 30% equity interest in the Disposal Group, the carrying amount of the net assets of the Disposal Group, the amount of estimated direct expenses in relation to the Disposal, and the amount of cumulative exchange reserve attribute to the Disposal Group as at the completion of the Disposal may be different from the amounts used in the Unaudited Pro Forma Financial Information, the final amount of gain/loss on the Disposal may be different from the amount presented above.

5 As at 30 June 2014, the Remaining Group has a receivable balance of approximately HK$23,507,000 due from the Disposal Group. As a result of the Disposal, such balance would no longer be eliminated. The adjustment reflects the recognition of amounts due from the Disposal Group which have previously been eliminated when preparing the unaudited consolidated Statement of Financial Position of the Group as at 30 June 2014.

6 The adjustment reflects the exclusion of the revenue, cost of sales, income, expenses and other comprehensive income of the Disposal Group for the year ended 31 December 2013, which is extracted from the unaudited consolidated income statement and unaudited consolidated statement of comprehensive income of the Disposal Group for the year ended 31 December 2013 as set out in Appendix II to the Circular, assuming the Disposal had been taken place on 1 January 2013.

7 The adjustment reflects the estimated result on the Disposal as if the Disposal and the capitalisation of Shareholders' loan had been taken place on 1 January 2013. The calculation of the estimated loss on the Disposal is as follows:

	HK$'000
Cash consideration for the Disposal	217,000
Estimated fair value of the remaining 30% equity interest in the Disposal Group (i)	71,700
Less:	
Net assets of the Disposal Group as at 1 January 2013 (ii)	(442,932)
Capitalisation of Shareholders' Loan as at 1 January 2013	(229,983)
Estimated direct expenses in relation to the Disposal	(1,445)
Estimated loss on the Disposal before release of the cumulative exchange reserve attributable to the Disposal Group	(385,660)
Release of cumulative exchange reserve attributable to the Disposal Group upon completion of the Disposal	37,880
Estimated loss on the Disposal as at 1 January 2013	(347,780)

(i) Since the Group will cease to have control over the Disposal Group as a result of the Disposal, any retained interest in the Disposal Group to be held by the Company is required to be stated at fair value under HKFRS. For the purpose of preparing the Unaudited Pro Forma Financial Information, the fair value of the remaining 30% equity interest in the Disposal Group was based on a separate valuation report prepared by an independent valuer, American Appraisal China Limited, dated on 8 October 2014. The fair value of the remaining 30% equity interest in the Disposal Group was valued by using the market approach based on historical enterprise value to revenue ("EV/ Revenue") multiples and historical enterprise value to invested capital ("EV/ Invested capital") multiples of comparable companies. The multiples used in the valuation includes:

EV/ Revenue: 1.0
EV/ Invested capital: 1.0

(ii) The net assets of the Disposal Group and the Shareholders' loan as at 1 January 2013 are extracted from the unaudited consolidated statement of financial position of the Disposal Group as at 31 December 2012, as set out in Appendix II to this Circular.

Since the amount of Shareholders' loan to capitalise, the fair value of the remaining 30% equity interest in the Disposal Group, the carrying amount of the net assets of the Disposal Group, the amount of estimated direct expenses in relation to the Disposal, and the amount of cumulative exchange reserve attribute to the Disposal Group as at the completion of the Disposal may be different from the amounts used in the Unaudited Pro Forma Financial Information, the final amount of gain/loss on the Disposal may be different from the amount presented above.

8 Assuming the Disposal had taken place on 1 January 2013, the remaining 30% equity interest in the Disposal Group would be accounted for as investment in associate. The adjustment reflects the share of loss of the Disposal Group for the year ended 31 December 2013 of approximately HK$33,595,000, which is calculated based on 30% approximately of HK$111,981,000, being the net loss of the Disposal Group of the year, and share of other comprehensive income of the Disposal Group for the year ended 31 December 2013 of approximately HK$4,263,000, which is calculated based on 30% approximately of HK$14,208,000, being the other comprehensive income of the Disposal Group for the year.

9 The adjustment, which is extracted from the unaudited consolidated statement of cash flows of the Disposal Group for the year ended 31 December 2013 as set out in Appendix II to the Circular, represents the exclusion of cash flows of the Disposal Group as if the Disposal had been completed on 1 January 2013.

10 For the year ended 31 December 2013, cash advance to the Disposal Group approximated HK$25,286,000. As a result of the Disposal, such amount will no longer be eliminated. The adjustment represents the recognition of such cash flows in the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

11 The adjustment represents the net cash inflow as if the Disposal had been completed on 1 January 2013, being cash consideration of HK$217,000,000 offset by cash and cash equivalent of the Disposal Group disposed of approximately HK$16,505,000.

12 Apart from Notes 2, 3, 4 and 5 above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014, for the purpose of preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group.

13 Apart from Notes 6, 7, 8, 9, 10 and 11 above, no other adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2013 for the purpose of preparation of the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Remaining Group, including the impairment charge on plant and equipment of HK$214,122,000 that has been recognised in the unaudited consolidated income statement of the Group for the six months ended 30 June 2014.

14 Except for Note 8, all the above pro forma adjustments to the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are not expected to have a continuing effect on the Remaining Group.

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

pwc 羅兵咸永道

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

TO THE DIRECTORS OF UNITED PHOTOVOLTAICS GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of United Photovoltaics Group Limited (the "Company") and its subsidiaries (collectively the "Group") excluding Fortune Arena Limited and its subsidiaries (the "Disposal Group") (collectively the "Remaining Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2014, the unaudited pro forma income statement for the year ended 31 December 2013, the unaudited pro forma statement of comprehensive income for the year ended 31 December 2013, the unaudited pro forma statement of cash flows for the year ended 31 December 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-2 to III-11 of the Company's Circular dated 8 October 2014, in connection with the proposed disposal of the Disposal Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes set out on pages III-9 to III-11.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2014 and its financial performance and cash flows for the year ended 31 December 2013 as if the Transaction had taken place at 30 June 2014 and 1 January 2013 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's published audited financial statements for the year ended 31 December 2013 and published unaudited financial statements for the period ended 30 June 2014.

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

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 1 January 2013 and 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 October 2014

The following is the text of a report prepared for the purpose of incorporation in this circular received from the Independent Valuer in connection with its valuation as at 31 August 2014 of the fair value of the real property interests in the Disposal Group.

American Appraisal China Limited
13/F, On Hing Building
1 On Hing Terrace, Central, Hong Kong
美國評值有限公司
香港中環安慶台一號安慶大廈13樓
Tel +852 2511 5200 / Fax +852 2511 9626

Leading / Thinking / Performing

8 October 2014

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

Dear Sirs,

In accordance with the instruction of United Photovoltaics Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") to estimate the market value of the real property interests located at Jinjiang Economic Development Zone, Jinjiang City, Fujian Province, the People's Republic of China (the "PRC") (the "Property") held by the Group, we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as at 31 August 2014 (referred to as the "date of valuation").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of property and the limiting conditions.

BASIS OF VALUATION

Our valuation is our opinion of the *Market Value* which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the course of our valuation, the property interests is valued by the cost approach which is a technique that uses the reproduction or replacement cost as an initial basis for value. The cost to reproduce or replace the subject asset with a new asset, either identical (reproduction) or having the same utility (replacement), establishes the highest amount a prudent investor is likely to pay. To the extent that the asset being valued provides less utility than a new one, due to physical deterioration, functional obsolescence, and/or economic obsolescence, the value of the subject asset is adjusted for those reductions in value. Adjustments may be made for age, physical wear and tear, technological inefficiencies, changes in price levels, and reduced demand, among other factors.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liabilities attached to the property. We have also not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Grandall Law Firm (Hangzhou), on the PRC Law regarding the property interests located in the PRC.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sell the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

No allowance has been in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that the owners of the property interests have free and uninterrupted rights to use, lease or mortgage the property interests for the whole of the unexpired term of its respective land use rights. We have also assumed that the property interests are freely disposable and transferable.

We have valued the property interests on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the land parcels are held by the owners or permitted to be occupied by the owners.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions of the Property, if any, have been stated in the footnotes of the valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, construction cost, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land or building areas in respect of the property but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Leo Liang has inspected the exterior and, where possible, the interior of the property included in the attached valuation certificate on 30 July 2014 (referred to as the "date of inspection"). No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the real properties or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Calvin K.C. Chan
CFA, MRICS, MHKIS, MCIREA, RPS (GP)
Vice President

Notes:

1. Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

2. Mr. Leo Liang, who is a Qualified Land Valuer of People's Republic of China, has over 2 years' experience in valuation of properties in PRC.

VALUATION CERTIFICATE

Property held for owner occupation

Property	Description and tenure	Particulars of occupancy	Market Value In existing state as at 31 August 2014
An Industrial Complex located at Quan Yuan Road, Wuli Industrial Park, Jinjiang City, Fujian Province, the PRC 中國福建省晉江市五里工業園區泉源路的廠房及在建工程	The Property comprises two parcels of land with total site area of approximately 275,648m², 15 buildings and various structures with total gross floor area of approximately 126,571.35m² erected thereon were completed between 2011 and 2014. The land use rights of the Property have been granted for industrial use with a term to be expired on 23 April 2057.	Portion of the Property was occupied by the Group for industrial use. Currently Portion of the Property with total gross floor area of approximately 21,829.26m² was leased to various third parties at a total monthly rent of about RMB238,017.	279,160,000

Notes:

(1) Pursuant the State-owned Land Use Certificates (國有土地使用證), Jin Guo Yong (2007) Di No. 01211 and Jin Guo Yong (2012) Di No. 01197 (晉國用(2007)第01211號和晉國用(2012)第01197號), issued by People's Government of Jinjiang City (晉江市人民政府) dated 9 September 2007 and 18 July 2012, the land use rights of the Property with site area of 158,982m² and 116,666m² are held by Goldpoly (Quanzhou) Packing Science & Technology Company Limited (金保利(泉州)包裝科技有限公司) ("Goldpoly Packing") and Goldpoly (Quanzhou) Electronics Technology Company Limited (金保利(泉州)電子科技有限公司) ("Goldpoly Electronics") for the term expiring on 23 April 2057 for industrial use.

(2) Pursuant to the Realty Title Certificates (房地產權證) issued by the Jinjiang City Housing, Urban Planning and Construction Bureau (晉江市住房和城鄉規劃建設局) dated 14 May 2013, 15 building ownership rights of the Property are held by Goldpoly Packing and Goldpoly Electronics for industrial use. The salient details of the certificates are as follows:

	Building Names	Realty Title Certificate No.	Owners	GFA (m²) Approx.
1.	辦公樓 Office Building	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	8,438.78
2.	D4廠房 Factory D4	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	8,248.62
3.	D1廠房 Factory D1	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	8,878.51
4.	5號宿舍樓 Dormitory No.5	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	5,794.26
5.	6號宿舍樓 Dormitory No.6	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	6,933.58
6.	B1廠房 Factory B1	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	10,510.86
7.	B3廠房 Factory B3	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	10,192.15
8.	切片廠房 Slicing Factory	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	9,073.12

	Building Names	Realty Title Certificate No.	Owners	GFA (m²) Approx.
9.	切片廠房4號倉庫 Warehouse No.4 of Slicing Factory	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	2,109.09
10.	切片廠房純水站 Purified Water Station of Slicing Factory	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	311.58
11.	切片廠房6號倉庫 Warehouse No.6 of Slicing Factory	晉房權證晉江字第201301634號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301634	Goldpoly Electronics	454.87
12.	二期廠房 Phase II Factory	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	28,538.20
13.	食堂 Canteen	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	6,551.93
14.	11號宿舍樓 Dormitory No.11	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	10,267.90
15.	12號宿舍樓 Dormitory No.12	晉房權證晉江字第201301636號 Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636	Goldpoly Packing	10,267.90
			Total	**126,571.35**

(3) As at the date of our inspection, the construction works of item 14 was pending. As advised by the Company, there is no plan to further deploy resources to complete the construction currently. In the course of our valuation, we have considered the construction cost of about RMB5,100,000 incurred in the works of item 14 as of the date of valuation.

(4) Pursuant to the Realty Title Certificate (房地產權證), Jin Fang Quan Zheng Jinjiang Zi Di No. 201301636 (晉房權證晉江字第201301636號), issued by the Jinjiang City Housing, Urban Planning and Construction Bureau (晉江市住房和城鄉規劃建設局) dated 14 May 2013, the building ownership rights of items 1-5 as mentioned in note (2) above have been charged to China Merchants Bank — Jinjiang Branch (招商銀行股份有限公司泉州晉江支行) with a consideration of RMB120,000,000.

(5) Pursuant to the 最高額抵押合同交司抵(2013) 050號, the building ownership rights of item 6-11 as mentioned in note (2) above have been charged to Bank of Communications — Quanzhou Branch (交通銀行股份有限公司泉州分行) with a consideration not exceed RMB72,300,000 for a period from 4 July 2013 to 4 July 2016.

(6) Pursuant to six lease agreements, portion of the Property with a total gross floor area of approximately 21,829.26m² were leased to various third parties currently for a total monthly rent of about RMB238,017. For details, please refer to the table below:

Tenant	Building	Leased Area (m²) (approx.)	Current Monthly Rental (RMB) (approx.)	Lease Term
淩陽能源科技(泉州)有限公司 (Lingyang Energy Technology (Quanzhou) Company Limited)	Level 1 Block D1	2,535.28	29,349	10 December 2009 – 9 December 2014
福建日能達光源科技有限公司 (Fujian Rinengda Illuminant Technology Company Limited)	Level 6 of Dormitory No. 6	596.00	8,344	1 July 2014 – 30 June 2015

Tenant	Building	Leased Area (m²) (approx.)	Current Monthly Rental (RMB) (approx.)	Lease Term
祥達光學((廈門)有限公司 (Xiangda Optics (Xiamen) Company Limited)	Whole of Slicing Factory and ancillary facilities	11,895.00	142,740	1 October 2013 – 30 September 2016
宸鴻電子材料(晉江)有限公司 (TPK Material Solutions Inc.)	Level 5 of Dormitory No. 6	1,254.00	15,048	1 October 2013 – 30 September 2016
淩陽能源科技(泉州)有限公司 (Lingyang Energy Technology (Quanzhou) Company Limited)	Level 6 of Dormitory No. 5	957.00	9,570	1 July 2012 – 30 June 2015
福建日能達光源科技有限公司 (Fujian Rinengda Illuminant Technology Company Limited)	Portion of Level 1 and whole Floor of Level 2, Block D1	4,591.98	32,966	1 June 2014 – 31 March 2017
	Total	**21,829.26**	**238,017**	

(7) Goldpoly Packing and Goldpoly Electronics are wholly-owned subsidiaries of the Company.

(8) The PRC legal opinion states, inter alias, that:

(a) Goldpoly Packing and Goldpoly Electronics legally obtained the land use rights and building ownership rights of the property.

(b) The charged mentioned in notes (4) and (5) above were valid and enforceable.

(c) The lease agreements mentioned in noted (6) above were valid and enforceable.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
4,361,266,325	Shares	436,126,633

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

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

Save as disclosed in this circular and apart from the share options to be granted under the share option scheme of the Company adopted on 19 June 2012 and the outstanding convertible notes and convertible bonds issued by the Company, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

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

Long positions

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

	Number of issued Shares/underlying Shares of the Company				
Name of Director	**Personal interests**	**Notes**	**Corporate interests**	**Notes**	**Percentage of the issued share capital of the Company**
Mr. Li, Alan	6,003,000	1	526,942,564	3, 4 & 5	12.22%
Ms. Qiu Ping, Maggie	2,401,200	2			0.06%

(b) Convertible debentures of the Company

	Convertible debentures of the Company Conversion rights attached to convertible debentures (shares)				
Name of Director	**Personal interests**	**Notes**	**Corporate interests**	**Notes**	**Percentage of the issued share capital of the Company**
Mr. Li, Alan	4,002,000	1	440,036,000	6	10.18%
Ms. Qiu Ping, Maggie	1,600,800	2			0.04%

Notes:

1. Mr. Li, Alan by undertaking to work for China Solar Power Group Limited ("CSPG"), a wholly-owned subsidiary of the Company, for a period until 30 August 2015, is entitled to receive from a trustee company, 6,003,000 Shares and convertible bonds in the principal amount of HK$4,002,000 convertible into 4,002,000 Shares.

2. Ms. Qiu Ping, Maggie by undertaking to work for CSPG, for a period until 30 August 2015, is entitled to receive from a trustee company, 2,401,200 Shares and convertible bonds in the principal amount of HK$1,600,800 convertible into 1,600,800 Shares.

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

4. 41,230,827 Shares are beneficially owned by Magicgrand, which is incorporated in the British Virgin Islands. The issued share capital of Magicgrand is 38.83% owned by Mr. Li, Alan and 61.17% by Pairing Venture.

5. 18,173,487 Shares are beneficially owned by Pairing Venture, which is incorporated in the British Virgin Islands. The issued share capital of Pairing Venture is 100% owned by Mr. Li, Alan.

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

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

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

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director, persons other than a Director who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of part XV of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

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

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Renewable Energy Trade Board Corporation ("EBOD")	Beneficial owner	119,922,000	79,948,000	5.20%
	Interest in controlled corporation	26,837,621	—	
China Merchants New Energy Group Limited *(note 1)*	Beneficial owner	467,538,250	440,036,000	20.81%
Snow Hill Developments Limited *(note 2)*	Beneficial owner	103,111,436	—	23.17%
	Interest in controlled Corporation	467,538,250	440,036,000	
China Merchants Group Limited	Interest in controlled corporation	570,649,686	440,036,000	23.17%
Magicgrand Group Limited *(note 3)*	Beneficial owner	41,230,827	—	21.76%
	Interest in controlled Corporation	467,538,250	440,036,000	
Pairing Venture Limited *(note 4)*	Beneficial owner	18,173,487	—	22.17%
	Interest in controlled corporation	508,769,077	440,036,000	
Fosun International Limited *(note 5)*	Interest in controlled corporation	70,924,000	169,531,250	5.51%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Fosun International Holdings Limited *(note 6)*	Interest in controlled corporation	70,924,000	169,531,250	5.51%
Guo Guangchang	Interest in controlled corporation	70,924,000	169,531,250	5.51%
Invesco Hong Kong Limited	Investment manager	264,892,000	—	6.07%
Invesco PRC Equity Fund	Beneficial owner	239,716,000	—	5.50%

Notes:

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

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

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

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

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

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

(ii) Interests in other members of the Group

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of the Group other than the Company:

Name of subsidiary of the Group	Name of shareholder	Percentage of the subsidiary's issued share capital
Guodian Tuoketuo County Solar Power Company* 國電托克托縣光伏發電有限公司	Guodian Inner Mongolia New Energy Investment Limited* 國電蒙電新能源投資有限公司	10.22%

Name of subsidiary of the Group	Name of shareholder	Percentage of the subsidiary's issued share capital
Guodian Chahaeryouyiqianqi Solar Power Company Limited* 國電察哈爾右翼前旗光伏發電有限公司	Guodian Inner Mongolia New Energy Investment Limited* 國電蒙電新能源投資有限公司	13.21%
Guodian Wulatehouqi Solar Power Company Limited* 國電烏拉特後旗光伏發電有限公司	Guodian Inner Mongolia New Energy Investment Limited* 國電蒙電新能源投資有限公司	9.67%
China Merchants Zhangzhou Development Zone Trenda Solar Tech Limited* 招商局漳州開發區創達太陽能科技有限公司	Beijing Yin Bao Hong Di Shareholding Management Center (Limited Partnership)* 北京銀保弘迪股權投資管理中心(有限合夥)	8.4%

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at the Latest Practicable Date, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

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

6. DIRECTORS' INTERESTS IN CONTRACTS/ASSETS

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

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

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

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

7. SERVICE CONTRACTS

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

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

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

8. LITIGATION

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

9. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
American Appraisal China Limited	Independent Valuer
PricewaterhouseCoopers	Certified Public Accountants
Guotai Junan Capital Limited	Financial Adviser
Grandall Law Firm (Hangzhou)	PRC Legal Adviser

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

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

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

10. MATERIAL CONTRACTS

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

(1) the Sale and Purchase Agreement dated 22 November 2012 (as amended by a supplemental agreement dated 31 March 2013) entered into among CMNEG, Ease Soar Limited ("Ease Soar"), which became a substantial shareholder of the Company on 10 June 2013, but no longer a substantial shareholder as at Latest Practicable Date, China Green Holdings Limited ("China Green"), Zhongli New Energy (Hong Kong) Investment Limited (formerly known as China New Energy Power Investment Corporation Limited and Talesun Solar Hong Kong Limited) ("Talesun"), which became a shareholder of the Company on 10 June 2013, Hyatt Servicing Limited ("Hyatt Servicing"), party acting in concert with Mr. Hung Chao Hong, Sino Arena Investments Limited ("Sino Arena"), party acting in concert with CMNEG, Profit Icon Investments Limited ("Profit Icon") and the Company in respect of the sale and purchase of the 92.17% of the issued share capital in CSPG

for a total consideration of HK$2,119,910,000 (subject to adjustment), which would be settled by the allotment and issue of Shares and convertible bonds by the Company (the "22 Nov 2012 SPA");

(2) the agreement dated 22 November 2012 entered into among CSPG, CMNEG, Ease Soar, China Green, Talesun, Hyatt Servicing, Sino Arena, EBOD, GCL-Poly Investment Limited ("GCL-Poly Investment"), a fellow subsidiary of Ease Soar, Profit Icon and the Company, whereby, among others, Profit Icon and the Company agreed, subject to the completion pursuant to the terms and conditions of the 22 Nov 2012 SPA, (i) all the rights and obligations of any of the parties to the sale and purchase agreement dated 14 May 2012 in relation to the sale and purchase of 9% of the then issued share capital of CSPG which have not been exercised or fulfilled as at the completion date of the 22 Nov 2012 SPA shall cease and have no further force and effect; and (ii) the shareholders' agreement dated 19 April 2012 in relation to the operation and management of CSPG (the "Shareholders Agreement") and all deeds of adherence executed by all shareholders of CSPG shall be terminated with effect upon the completion of the 22 Nov 2012 SPA, whereupon all rights and obligations of the shareholders of CSPG and CMNEG under the Shareholders Agreement and their respective deed of adherence (where applicable) shall cease to be in effect;

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

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

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

(6) the equity interest transfer agreement dated 20 December 2012 entered into between Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd.* (江蘇協鑫硅材料科技發展有限公司), a fellow subsidiary of Ease Soar and United Photovoltaic (Shenzhen) Ltd.* (聯合光伏(深圳)有限公司) (formerly known as China Merchants New Energy (Shenzhen) Ltd.* (招商新能源(深圳)有限公司) ("CMSZ") pursuant to which Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd. intends to transfer the entire equity interest in Xuzhou Xinneng Renewable Energy Electricity Co., Ltd.* (徐州鑫能可再生能源電力有限公司) to CMSZ for a consideration of RMB34,270,000;

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

(8) the equity interest transfer agreement dated 22 December 2012 entered into among CMSZ, Zhongli Photovoltaic Science and Technology Group Co., Ltd.* (中利騰暉光伏科技有限公司) ("Zhongli Photovoltaic") and Jiangsu Zhongli Talesun Photovoltaic Materials Sales Company Limited* (江蘇中利騰暉光伏材料銷售有限公司) ("Jiangsu Zhongli") in relation to the transfer of the entire equity interest in Zhongli Photovoltaic Changzhou Co., Ltd.* (中利騰暉光伏常州有限公司) from Zhongli Photovoltaic and Jiangsu Zhongli to CMSZ for a consideration of RMB10,000,000 (the "22 December 2012 Agreement");

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

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

(11) the framework agreement dated 22 August 2013 entered into among the Company, GD Solar, together with NARI Technology Development Co., Ltd.* (國電南瑞科技股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange), Guodian Inner Mongolia New Energy Investment Limited* (國電蒙電新能源投資有限公司) ("Guodian Inner Mongolia"), Poly Solar Technologies (Beijing) Co. Ltd.* (保利新能源科技(北京)有限公司), and Forty-Eighth Research Institute in relation to the proposed acquisition by the Company from GD Solar of the entire

equity interest in the project companies which own certain completed solar power plants with an aggregate installed capacity of approximately 400MW;

(12) the strategic cooperation agreement dated 29 August 2013 entered into between the Company and China Singyes Solar Technologies Holdings Limited, an independent third party in relation to the cooperation in respect of the development of the roof-top and ground-based solar power plants, micro-grid projects, green energy-saving buildings, application of low-carbon new energy in the islands in the PRC, as well as the development of green intelligent low-carbon satellite cities in the PRC;

(13) the conditional sale and purchase agreement dated 6 September 2013 entered into among Suzhou Gong Ye Yuan Qu Zhong Fu Investment Management Company Limited* (蘇州工業園區中伏投資管理有限公司) ("Suzhou Zhong Fu"), CSPG, CMSZ and Huabei Expressway Co., Ltd.* (華北高速公路股份有限公司) ("Huabei Expressway") in respect of the sale and purchase of the equity interest in Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司) ("Fengxian Huize") from Suzhou Zhong Fu by CSPG, CMSZ and Huabei Expressway, the consideration for the acquisition of the 50% equity interest in Fengxian Huize by CSPG and CMSZ is RMB225,000,000 and the consideration for the acquisition of the remaining 50% equity interest in Fengxian Huize by Huabei Expressway is RMB225,000,000 ("6 September 2013 SPA");

(14) the agreement dated 6 September 2013 entered into among the Company, Huabei Expressway and the Fengxian Huize in relation to the proposed acquisition of the 50% equity interest in Fengxian Huize from Huabei Expressway by the Company within the stipulated three year period, the consideration to be paid by the Company for the proposed acquisition shall be calculated according to the formula set out in the agreement;

(15) the conditional subscription agreement dated 13 September 2013 entered into between the Company and Suzhou Zhong Fu in relation to the subscription of the convertible bonds in principal amount of HK$232,959,339;

(16) the subscription agreement dated 27 September 2013 entered into among Seven Points Enterprises Inc., Financial Vantage Limited, York Credit Opportunities Investments Master Fund, L.P., York Asian Opportunities Investments Master Fund, L.P., York Global Finance Fund, L.P. (the "Purchasers"), all independent third parties, the Company as issuer, Profit Icon, CSPG, China Technology New Energy Limited ("CTNE"), Faster Assets Limited ("Faster Assets"), Sino Delight Developments Limited ("Sino Delight"), Upper Light Limited ("Upper Light"), New Light Technology Limited ("New Light"), Fortune Wheel Holdings Limited ("Fortune Wheel") and Profit Giant Holdings Limited ("Profit Giant") as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent, pursuant to which the Company has conditionally agreed to issue and the Purchasers have

conditionally agreed to subscribe for 5% secured guaranteed convertible bonds due 2016 in the aggregated principal amount of US$50,000,000;

(17) the supplemental agreement dated 5 October 2013 entered into among Suzhou Zhong Fu, CSPG and Huabei Expressway to amend certain terms of the 6 September 2013 SPA;

(18) the trust deed dated 8 October 2013 (as supplemented by the first supplemental trust deed dated 14 November 2013) entered into among the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel, Profit Giant and the Bank of New York Mellon, Acting through its London Branch ("BNYM"), pursuant to which BNYM holds the security for all amounts payable on the Bonds for the benefit of the secured parties (the "8 October 2013 Trust Deed");

(19) the English share mortgage dated 8 October 2013 entered into among the Company, Profit Icon, CSPG, Faster Assets, Sky Cypress Limited, Fortune Arena, Jolly Wood Limited, City Mark Holdings Limited and BNYM in respect of the mortgage of the shares in the subsidiaries of the Company which were incorporated under the laws of the British Virgin Islands as part of the securities for the Bonds;

(20) the Hong Kong share mortgage dated 8 October 2013 entered into among CTNE, Sino Delight, Upper Light, Sky Cypress Limited, Gay Giano Holdings Limited, Gay Giano China Development Limited, Goldpoly International Limited and BNYM in respect of the mortgage of the shares in the subsidiaries of the Company which were incorporated under the laws of Hong Kong as part of the securities for the Bonds;

(21) the security agreement dated 8 October 2013 entered into among the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel, Profit Giant and BNYM in respect of the charge of the assets of the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel and Profit Giant as part of the securities for the Bonds;

(22) the charge over interest reserve account dated 8 October 2013 entered into between the Company and BNYM in respect of the charge over the interest reserve account held by the Company as part of the securities for the Bonds;

(23) the agency agreement dated 8 October 2013 (as supplemented by the first supplemental agency agreement dated 14 November 2013) entered into among the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel, Profit Giant, BNYM, the Bank of New York Mellon (Luxembourg) and the Bank of New York Mellon, Acting through its Hong Kong Branch, appointing BNYM and the Bank of New York Mellon (Luxembourg) as agents in respect of the Bonds (the "8 October 2013 Agency Agreement");

(24) the placing agreement dated 9 October 2013 entered into between the Company and CITIC Securities Corporate Finance (HK) Limited (the "Placing Agent") pursuant to which the Company agreed to place 55,000,000 Shares through the Placing Agent, on a best effort basis, at the price of HK$1.70 per placing share;

(25) the subscription agreement dated 16 October 2013 entered into among the Purchasers, the Company as issuer, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel and Profit Giant as guarantors and Credit Suisse AG, Singapore Branch as arranger and settlement agent, pursuant to which the Company has conditionally agreed to further issue and the Purchasers have conditionally agreed to further subscribe and pay for, the additional convertible bonds in an aggregate principal amount of US$70,000,000 together with the accrued interest on the terms and subject to the conditions set out therein;

(26) the framework agreement dated 12 November 2013 entered into between the Company and Kunlun Trust Company Limited ("Kunlun"), an independent third party, pursuant to which, among other things, the Company and Kunlun will, subject to the fulfilment of certain conditions precedent, respectively acquire 60% and 40% equity interest in certain project companies which own certain completed solar power plants with an aggregate installed capacity of approximately 500MW during the period from 2013 to 2015. Kunlun shall have the right to request the Company to acquire the equity interest in such project companies to be held by it within the three month period immediately prior to the expiration of the three years from the date of the full settlement of its portion of the consideration for the proposed acquisition;

(27) the second supplemental agreement dated 13 November 2013 entered into among Suzhou Zhong Fu, CSPG and Huabei Expressway to amend certain terms of the 6 September 2013 SPA;

(28) the first supplemental agency agreement dated 14 November 2013 entered into among the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel, Profit Giant, BNYM, the Bank of New York Mellon (Luxembourg) S.A. and the Bank of New York Mellon, Acting through its Hong Kong Branch to supplement the provisions of the 8 October 2013 Agency Agreement;

(29) the first supplemental trust deed dated 14 November 2013 entered into among the Company, Profit Icon, CSPG, CTNE, Faster Assets, Sino Delight, Upper Light, New Light, Fortune Wheel, Profit Giant, City Mark Holdings Limited, Fortune Arena, Gay Giano Holdings Limited, Gay Giano China Development Limited, Goldpoly International Limited, Jolly Wood Limited, Sky Cypress Limited and BNYM to supplement the provisions of the 8 October 2013 Trust Deed;

(30) the supplement agreement dated 12 August 2013 entered into between Fengxian Zhonghui Ecological Agriculture Company Limited* (豐縣中暉生態農業有限公司) ("FZEA") and Fengxian Huize, pursuant to which FZEA and Fengxian Huize agreed to replace article 3 of the green ecological agriculture solar power project land leasing agreement dated 16 November 2011 entered into between FZEA and Fengxian Huize — "Lease term is 50 years, from 18 November 2011 to 17 November 2061" by "Lease term is 20 years, from 18 November 2011 to 17 November 2031". Fengxian Huize had the right to renew the leasing agreement under the same terms and conditions upon expiration;

(31) the supplement agreement dated 12 August 2013 entered into between FZEA and Fengxian Zhonghui Photovoltaic Energy Limited* (豐縣中暉光伏能源有限公司) ("Fengxian Zhonghui"), pursuant to which FZEA and Fengxian Zhonghui agreed: (1) that the green ecological agriculture solar power project land leasing agreement dated 27 October 2011 entered into between FZEA and Fengxian Zhonghui was void; (2) to replace article 3 of the green ecological agriculture solar power project land leasing agreement dated 16 November 2011 entered into between FZEA and Fengxian Zhonghui — "the Lease term is 50 years, from 18 November 2011 to 17 November 2061" by "the Lease term is 20 years, from 18 November 2011 to 17 November 2031". Fengxian Zhonghui has the right to renew the leasing agreement under the same terms and conditions, the lease period was 20 years;

(32) the framework agreement dated 28 November 2013 entered into among the Company, GD Solar, Guodian Inner Mongolia and Forty-Eighth Research Institute in relation to the proposed acquisition of equity interest in four companies which own solar power plants in Inner Mongolia, the PRC with an aggregate installed capacity of 195MW;

(33) the sale and purchase agreement dated 13 December 2013 entered into among Zhongli Photovoltaic, Jiangsu Zhongli, United Photovoltaics (Changzhou) Investment Co., Ltd.* (聯合光伏(常州)投資有限公司) (formerly known as Zhongli Photovoltaic Changzhou Co., Ltd.* (中利騰暉光伏常州有限公司)) ("UP (Changzhou)") and Renewable Energy (Hong Kong) Trade Board Limited ("EBODHK") in respect of the sale and purchase of the equity interest in Changzhou Dinghui from Zhongli Photovoltaic and Jiangsu Zhongli by UP (Changzhou) and EBODHK respectively, the consideration for the acquisition of the 45% equity interest in Changzhou Dinghui by UP (Changzhou) is RMB4,500,000 and the consideration for the acquisition of the remaining 55% equity interest in Changzhou Dinghui by EBODHK is RMB5,500,000 and such transaction was completed on 7 January 2014;

(34) the Engineering, Procurement and Construction ("EPC") cooperative agreement dated 13 December 2013 entered into among Zhongli Photovoltaic, Jiangsu Zhongli, UP (Changzhou), EBODHK, Zhongli Talesun Gonghe New Energy Limited* (中利騰暉共和新能源有限公司) and Hainanzhou Yahui New Energy Power Company Limited* (海南州亞暉新能源電力有限公司) in relation to (i) the

consideration to be paid to Zhongli Photovoltaic as EPC contractor providing EPC services to the project companies; and (ii) the guarantee of volume of on-grid electricity generation of the project companies to be provided by Zhongli Photovoltaic and Jiangsu Zhongli. The consideration for the EPC services shall be determined with reference to the actual on-grid electricity price obtained by the project companies, where the on-grid electricity price obtained is RMB0.95 per KWh, the total consideration for the EPC services will be RMB1,854,000,000 and where the on-grid electricity price obtained is RMB1.00 per KWh, the total consideration for the EPC services will be RMB1,962,000,000;

(35) the completion agreement dated 15 December 2013 entered into between CMSZ, CSPG, Huabei Expressway and Suzhou Zhong Fu in relation to various issues towards the completion of the acquisition of equity interest in Fengxian Huize;

(36) the pledge agreement dated 16 December 2013 entered into between the Company and Suzhou Zhong Fu in relation to the pledging of the convertible bonds in the principal amount of HK$232,959,339 for the first five years and to pledge a sum of cash in the amount equivalent to RMB21,000,000 for the remaining three years as security in favour of CSPG, CMSZ and Huabei Expressway for the electricity income guarantee;

(37) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) ("Jiangsu Yongneng") in relation to the transfer of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司), which owns the solar power plant located in Chahaeryouyiqianqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 50MW that have achieved on grid connection successfully, from Jiangsu Yongneng to UP (Changzhou) for a consideration of RMB86,793,500, and such transaction was completed on 27 March 2014;

(38) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Jiangsu Yongneng in relation to the transfer of 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司), which owns the solar power plant located in Wulatehouqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW that have achieved on grid connection successfully, from Jiangsu Yongneng to UP (Changzhou) for a consideration of RMB72,263,900, and such transaction was completed on 28 March 2014;

(39) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Forty-Eighth Research Institute in relation to the transfer of 89.7839% equity interest in Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司), which owns the solar power plant located in Tuoketuo County, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40MW that have achieved on grid connection

successfully, from Forty-Eighth Research Institute to UP (Changzhou) for a consideration of no more than RMB79,009,810, and such transaction was completed on 4 April 2014;

(40) the sale and purchase agreement dated 19 December 2013 entered into between UP (Changzhou) and Forty-Eighth Research Institute in relation to the transfer of 55% equity interest in Guodian Nailuntumotezuoqi Solar Power Company Limited* (國電奈倫土默特左旗光伏發電有限公司) which owns the solar power plant located in Tumotezuoqi Town, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 65MW that have achieved on grid connection successfully, from Forty-Eighth Research Institute to UP (Changzhou) for a consideration of no more than RMB66,550,000;

(41) the sale and purchase agreement dated 8 January 2014 entered into between UP (Changzhou) and EBODHK in respect of the sale and purchase of the 55% equity interest in Changzhou Dinghui from EBODHK by UP (Changzhou) for a consideration of RMB5,500,000, and such transaction was completed on 13 June 2014;

(42) the cooperation agreement dated 9 January 2014 entered into among the Company, China Triumph International Engineering Co., Ltd.* (中國建材國際工程集團有限公司) ("CTIEC") and Huawei in relation to the proposed acquisition from CTIEC by the Company of certain companies which own solar power plants located in China, Europe, North America and Japan with an aggregate installed capacity of approximately 500MW and the selection of Huawei as the primary supplier of inverters and information transmission systems, the consideration for the acquisition of the project companies will be determined with reference to the target internal rate of return of the Company of not less than 9%;

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

(44) the placing agreement dated 23 January 2014 entered into between the Company, BOCI Asia Limited, CLSA Limited and Morgan Stanley & Co. International plc, pursuant to which, inter alias, 480,000,000 new Shares were issued and allotted at the price of HK$1.72 per Share on 29 January 2014;

(45) a strategic cooperation agreement dated 19 February 2014 entered into among the Company, EBODHK and Wangxin Finance Group in relation to the development and construction of certain solar power plant projects to be financed through a crowd-funding platform in China;

(46) a strategic cooperation agreement dated 19 February 2014 entered into among the Company and the Shenzhen Branch of China Development Bank (the "CDBSZ"), pursuant to which, among other things, CDBSZ agreed to provide financing for the Group's solar power plant projects with an aggregate installed capacity of approximately one GW, subject to credit assessment and CDBSZ provides escrow/custodian services for funds raised by the Group by through crowd-funding or other internet-based channels;

(47) a finance lease agreement dated 27 February 2014 entered into between the Company and United Group Facilities Leasing Co., Ltd. ("Zhongxing Leasing Company"), pursuant to which, Zhongxing Leasing Company has agreed to purchase polycrystalline silicon modules from an independent third party in accordance with the requirements of the Company and lease the same to the Company for a term of 12 years at an aggregate consideration of approximately US$148,970,000 (equivalent to approximately HK$1,154,517,000) (the "27 February 2014 Finance Lease Agreement");

(48) A purchase agreement dated 27 February 2014 entered into among the Company, Zhongxing Leasing Company and an independent third party, pursuant to which the independent third party will sell and Zhongxing Leasing Company will purchase polycrystalline silicon modules at a consideration of US$110,000,000 (equivalent to approximately HK$852,500,000). The effectiveness of the said agreement is conditional upon the 27 February 2014 Finance Lease Agreement becoming effective;

(49) A conditional sale and purchase agreement dated 14 April 2014 entered into between the Company and Yingli Energy (China) Company Limited* (英利能源(中國)有限公司) ("Yingli Energy") in relation to the proposed acquisition of the equity interests in certain project companies which own certain ground-based solar power plants with an aggregate installed capacity of not less than 300MW from 2014 to 2016 from Yingli Energy by the Company, subject to the fulfillment of certain conditions precedent, the consideration for the proposed acquisition will be calculated with reference to the target internal rate of return of the Company of not less than 9% and the relevant data such as the on-grid tariff of the specific target projects;

(50) a strategic cooperation agreement dated 16 April 2014 entered into between the Company and China Financial Leasing Company Limited* (中國金融租賃有限公司), in relation to, subject to the entering into definitive agreements (if entered into), the intended provision of finance lease in the aggregate amount of not less than RMB10 billion, pursuant to the relevant national laws and regulations, the relevant industrial policies and catalogue of guidance for industrial structure adjustment for certain businesses of the Company;

(51) an agreement dated 21 July 2014 entered into among UP (Changzhou), TBEA and Xinjiang Sang'ou, pursuant to which, among other things, (i) TBEA and Xinjiang Sang'ou agreed to sell and UP (Changzhou) agreed to purchase the entire equity interest in Gonghe County Xinte Photovaltaic Co., Ltd* (共和縣新特光伏發電有限責任公司), which owns a ground-based solar power plant located in Gonghe, Qinghai, PRC, with an aggregate installed capacity of approximately 20 MW, for a total cash consideration of RMB43,000,000; and (ii) the payment in relation to the EPC arrangement;

(52) an agreement dated 4 September 2014 entered into among UP (Changzhou), Huabei Expressway and Jiangsu Yongneng, pursuant to which Jiangsu Yongneng agreed to sell and (i) UP (Changzhou) agreed to purchase 9.37% equity interest for a total cash consideration of RMB7,494,260 and (ii) Huabei Expressway agreed to purchase 84.31% equity interest for a total cash consideration of RMB67,448,340 in Guodian Kezuohouqi Photovoltaics Company Limited* (國電科左後旗光伏發電有限公司) which owns a ground-based solar power plant project located in Keerqinzuoyihouqi, Inner Mongolia Autonomous Region, PRC with an aggregate installed capacity of 40MW which has achieved on-grid connection;

(53) the Disposal Agreement; and

(54) the deed of settlement dated 22 September 2014 entered into between CSPG and GCL-Poly Investment with respect to (i) the termination of the framework agreement dated 18 June 2012 (as supplemented by the supplemental agreement dated 19 July 2012) in relation to the proposed acquisition by CSPG of the entire equity interests in the project companies for certain solar power plants which are projects eligible for the Golden Sun Program; and (ii) the refund of the early development fees paid by CSPG under the framework agreement in the amount of HK$23,311,060 by GCL-Poly Investment to CSPG.

11. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(b) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, which situates at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong;

(c) The company secretary of the Company is Ms. Qiu Ping, Maggie, who is also a non-executive director and a director and president of CSPG, a wholly-owned subsidiary of the Company. Ms. Qiu received a Bachelor's degree in Economics and a Bachelor's degree in German Literature from Peking University. Ms. Qiu was also awarded a Master's degree in European Culture and Economics from Ruhr University Bochum in Germany and a Master of Laws in Corporate and Financial Law from the University of Hong Kong;

(d) The auditor of the Company is PricewaterhouseCoopers;

(e) As at the Latest Practicable Date, the Board consisted of two executive Directors, namely Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei; three non-executive Directors, namely Academician Yao Jiannian, Mr. Yang Baiqian and Ms. Qiu Ping, Maggie; and four independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing;

(f) As at the Latest Practicable Date, no Directors had any interest, direct or indirect, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up; and

(g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the Disposal Agreement;

(b) the memorandum and bye-laws of the Company;

(c) the letter from the board, the text of which is set out on pages 4 to 20 of this circular;

(d) the written consents referred to in the section headed "Expert's Qualification and Consent" in this appendix;

(e) the published audited consolidated financial statements of the Company for each of the two years ended 31 December 2012 and 2013;

(f) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(g) the property valuation report from American Appraisal China Limited, the Text of which is set out in Appendix IV to this circular;

(h) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(i) the circular of the Company dated 16 May 2014 in relation to the acquisition of the remaining 55% equity interest in Changzhou Dinghui by the Company; and

(j) this circular.

* *For identification purposes only*

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

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

NOTICE IS HEREBY GIVEN THAT the special general meeting (the "Meeting") of United Photovoltaics Group Limited (the "Company") will be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 24 October 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the agreement dated 27 August 2014 (the "Disposal Agreement"), a copy of which has been produced to the Meeting and marked "A" and signed by the chairman of the Meeting for the purpose of identification and entered into among (i) the Company as vendor, (ii) Power Solar Investments Limited as purchaser, and (iii) Mr. Chung Rai Lin as purchaser guarantor in relation to the the proposed disposal by the Company of the 70% of the entire issued share capital of Fortune Arena Limited ("Fortune Arena") for a total cash consideration of HK$217.0 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal Agreement or any transactions contemplated thereunder."

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

Hong Kong, 8 October 2014

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.

3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof. Completion and return of the proxy will not preclude any member from attending and voting in person at the Meeting or any adjournment thereof if you so desire and, in such event, the instrument appointing such a proxy shall be deemed to be revoked.

4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holder are present at the Meeting personally or by proxy, the persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. Votes on the ordinary resolution set out herein and is to be passed at the Meeting will be taken by way of poll.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 11:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of Company at www.unitedpvgroup.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

7. As at the date hereof, the board of directors of the Company comprises Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei, being the executive directors; Academician Yao Jiannian, Mr. Yang Baiqian and Ms. Qiu Ping, Maggie, being the non-executive directors; and Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing, being the independent non-executive directors.