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 advisers.

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(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF 51% OF THE EQUITY INTEREST OF CHANGZHOU GUANGYU NEW ENERGY COMPANY LIMITED AND GRANT OF OPTIONS OVER 49% OF THE EQUITY INTEREST OF SUCH COMPANY UNDER SPECIFIC MANDATE (2) FORMATION OF JOINT VENTURE (3) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF UP TO HK$529,000,000 7.5% SECURED CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

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

高銀融資有限公司
GOLDIN FINANCIAL 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 on pages 9 to 34 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 37 to 72 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 17 March 2015, at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-5 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 and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

27 February 2015

CONTENTS

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

"Acquisition"	the acquisition of the Sale Equity by the Group pursuant to the Equity Transfer Agreement
"Acquisition Completion"	the completion of the Equity Transfer Agreement
"Acquisition Condition(s)"	the condition(s) set out in the paragraph headed "**Conditions of the Acquisition**" under the section headed "**A. The Acquisition and the grant of Options — The Equity Transfer Agreement**" in the Letter from the Board of this circular
"Agreed Option Price"	the consideration payable by the Company for the acquisition of the 49% Equity Interest to be determined based on the terms and conditions set out in the Options Agreement
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Bond Instrument"	the deed to be executed by the Company which will constitute the Convertible Bonds and contain the terms and conditions of the Convertible Bonds
"Bondholder(s)"	holder(s) of the Convertible Bonds, including all subsequent transferee(s) of the Convertible Bonds
"Capital Increase"	the proposed increase of registered capital of the Target Company committed by UP (Changzhou) and CM Yinke under the Equity Transfer Agreement
"CB Conditions"	the conditions set out in the paragraph headed "**Conditions of the CB Issue**" under the section headed "**C. CB Issue — The Subscription Agreement**" in the Letter from the Board of this circular
"CB Issue"	the issue of the Convertible Bonds pursuant to the terms of the Subscription Agreement
"China Merchants"	China Merchants Group Limited* (招商局集團有限公司), a company established in the PRC with limited liability and the ultimate holding company of CMNEG

"CM Bank"	China Merchants Bank Co., Ltd.* (招商銀行股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange
"CM Fund"	China Merchants Fund Management Limited* (招商基金管理有限公司), a company established in the PRC with limited liability
"CM Securities"	China Merchants Securities Co. Limited* (招商證券股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange
"CM Trenda"	China Merchants Zhangzhou Development Zone Trenda Solar Limited* (招商局漳州開發區創大太陽能有限公司), a company established in the PRC with limited liability
"CM Yinke"	Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司), a company established in the PRC with limited liability
"CM Yinke Put Option"	the put option agreed to be granted to CM Yinke by the Company under the Options Agreement whereby CM Yinke is entitled to request the Company to acquire part or all of the 49% Equity Interest owned by CM Yinke in accordance with the terms of the Options Agreement
"CMNEG"	China Merchants New Energy Group Limited* (招商新能源集團有限公司), a company established in the British Virgin Islands with limited liability and a substantial shareholder of the Company
"Company"	United Photovoltaics Group Limited (聯合光伏集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Company Call Option"	the call option agreed to be granted to the Company by CM Yinke under the Options Agreement whereby the Company is entitled to request CM Yinke to sell to the Company all of the 49% Equity Interest owned by CM Yinke in accordance with the terms of the Options Agreement

"Consideration Shares"	the Shares to be allotted and issued by the Company for satisfaction of the Agreed Option Price upon exercise of the CM Yinke Put Option or the Company Call Option
"Conversion Period"	the period commencing from the last day of a six-month period immediately following the Issue Date and ending on the fifth business day prior to the Maturity Date
"Conversion Price"	HK$1.03 per Share, subject to adjustment under the terms and conditions of the Convertible Bonds
"Conversion Rights"	the right(s) of the Bondholder(s) to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, subject to the terms and conditions of the Convertible Bonds
"Conversion Shares"	the Shares to be allotted and issued by the Company: (i) upon the exercise of the Conversion Rights attaching to the Convertible Bonds; and/or (ii) in payment of the accrued but unpaid interest under the Convertible Bonds and/or (iii) upon a Mandatory Conversion
"Convertible Bonds"	the up to HK$529,000,000 three-year 7.5% secured convertible bonds to be issued by the Company to CM Fund pursuant to the Subscription Agreement
"Cooperation Agreement"	the agreement dated 31 October 2014 entered into between, among others, the Company, CM Yinke and CM Trenda with respect to (i) the proposed joint acquisition of the entire equity interest in the Target Company by the Group and CM Yinke, (ii) the proposed issue of Convertible Bonds and (iii) the proposed future acquisition arrangement in respect of the 49% Equity Interest, details of which are disclosed in the announcement of the Company dated 31 October 2014
"Director(s)"	the director(s) of the Company
"EBOD"	Renewable Energy Trade Board Corporation, a company established in the British Virgin Islands with limited liability
"EPC Contractor"	an engineering, procurement and construction contractor

"Equity Transfer Agreement"	the equity transfer agreement dated 23 January 2015 entered into between CM Trenda, UP (Changzhou) and CM Yinke in relation to the acquisition of the entire equity interests in the Target Company by UP (Changzhou) and CM Yinke (or funds managed by it) from CM Trenda
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hami Project Company"	Hami Huiteng Photovoltaic Company Limited* (哈密輝騰光伏電力有限公司), a company established in the PRC with limited liability and is wholly owned by the Target Company, which is the sole legal entity of the development, investment, operation and management of Agricultural Thirteenth Division Hongxing Fourth Development Zone Phase I 20 MW on-grid connected photovoltaic solar power plant and Hami Huiteng Hongxing Fourth Development Zone Phase II 20 MW on-grid connected photovoltaic solar power plant
"Hong Kong"	the Hong Kong Special Administrative Region
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders on the terms and conditions of the Equity Transfer Agreement, the Acquisition, the Options Agreement, the CM Yinke Put Option, the JV Formation Agreement, the formation of the Joint Venture, the Subscription Agreement and the CB Issue and the respective transactions contemplated thereunder, and to give its recommendation to the Independent Shareholders as to voting in respect of the resolutions to be proposed at the SGM for approving the Transactions
"Independent Financial Adviser"	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions
"Independent Shareholders"	Shareholders other than CMNEG and its associates and other Shareholders who have material interests in the Acquisition, the Options Agreement, the formation of the Joint Venture and/or the CB Issue

"Independent Valuer"	American Appraisal China Limited, an independent valuer engaged by the Company to prepare the Valuation Report
"Issue Date"	the day on which the Convertible Bonds are issued pursuant to the Subscription Agreement
"Joint Venture"	the joint venture in respect of the Target Company to be set up between UP (Changzhou) and CM Yinke pursuant to the JV Contract
"JV Contract"	the joint venture contract in respect of the Target Company, in substantially the same form as attached to the JV Formation Agreement, to be entered into by UP (Changzhou) and CM Yinke upon the Acquisition Completion
"JV Formation Agreement"	the agreement dated 9 February 2015 and entered into by UP (Changzhou) and CM Yinke in respect of the formation of the Joint Venture
"KWh"	kilowatt hour, 1,000 watt per hour
"Latest Practicable Date"	24 February 2015, being the latest practical date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Major Subsidiary"	has the meaning ascribed thereto in Rule 13.25(2) of the Listing Rules
"Magicgrand"	Magicgrand Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Mandatory Conversion"	mandatory conversion of the outstanding principal amount of the Convertible Bonds into Conversion Shares by the Company in accordance with the terms of the Convertible Bonds
"Maturity Date"	in respect of each Convertible Bond, the date falling on the third anniversary of the Issue Date
"MW"	megawatt, which equals to 1,000,000 watt

"New Articles"	the proposed new set of articles of association of the Target Company, in substantially the same form as attached to the JV Formation Agreement, to be entered into by UP (Changzhou) and CM Yinke and adopted by the Target Company upon the Acquisition Completion
"Options"	the CM Yinke Put Option and the Company Call Option
"Option Period"	the period commencing from the one hundred and eighty-first day after the issue of the new business licence of the Target Company which would reflect the Capital Increase and the third anniversary of the said new business licence (both days inclusive)
"Options Agreement"	the future acquisition arrangement agreement dated 23 January 2015 entered into between the Company, CM Yinke and UP (Changzhou) in relation to the grant of the CM Yinke Put Option to CM Yinke by the Company and the grant of the Company Call Option to the Company by CM Yinke
"Options Conditions"	the conditions set out in the paragraph headed "**Conditions of the Options Agreement**" under the section headed "**A. The Acquisition and the grant of Options — The Options Agreement**" in the Letter from the Board of this circular
"Outstanding Convertible Securities"	the Series B convertible bonds of the Company due 2018 with the outstanding principal of HK$847,964,000 and the current conversion price of HK$1.00 per Share (subject to adjustments); the 5% secured guaranteed convertible bonds of the Company due 2016 with the outstanding principal of US$120,000,000 and the current conversion price of HK$1.6 per Share (subject to adjustments) and the convertible bonds of the Company due 2018 with the outstanding principal of HK$232,959,339 and the current conversion price of HK$1.6 per Share (subject to adjustments)
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Project Companies"	the Hami Project Company and the Turpan Project Company

"Projects"	four solar power plant projects, two located in Hami City, Xinjiang, China with an aggregate installed capacity of 40 MW owned by the Hami Project Company and two located in Turpan City, Xinjiang, China with an aggregate installed capacity of 40 MW owned by the Turpan Project Company
"PwC"	PricewaterhouseCoopers, the auditors of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity"	51% equity interest in the Target Company
"Security"	security enforceable under the Subscription Agreement set out in the paragraph headed "**Security**" under the section headed "**C. CB Issue — The Subscription Agreement — Principal terms of the Convertible Bonds**" in the Letter from the Board of this circular
"Security Documents"	means pledge agreement(s) in respect of the Security
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SGM"	the special general meeting of the Company to be convened to approve, among other things, the Transactions
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes of the Company resulting from any subdivision, consolidation or re-classification of those shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 23 January 2015 entered into between the Company and CM Fund in relation to the CB Issue
"Target Company"	Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司), a company established in the PRC with limited liability and is wholly owned by CM Trenda
"Target Group"	the Target Company and its subsidiaries

"Transactions"	the Equity Transfer Agreement and the transactions contemplated thereunder (including the Capital Increase), the Options Agreement and the transactions contemplated thereunder (including the grant of the CM Yinke Put Option and the issue of the Consideration Shares pursuant to the exercise of the CM Yinke Put Option), the JV Formation Agreement and the transactions contemplated thereunder (including the JV Contract and the formation of the Joint Venture) and the Subscription Agreement and the transactions contemplated thereunder (including the CB Issue and the issue of the Conversion Shares)
"Turpan Project Company"	Turpan Zhongli Talesun Photovoltaic Company Limited* (吐魯番中利騰暉光伏發電有限公司), a company established in the PRC with limited liability and is wholly owned by the Target Company, which is the sole legal entity of the development, investment, operation and management of Zhongli Talesun Turpan Phase I 20 MW on-grid connected photovoltaic solar power plant and Zhongli Talesun Turpan Phase II 20 MW on-grid connected photovoltaic solar power plant
"UP (Changzhou)"	United Photovoltaics (Changzhou) Investment Co., Ltd.* (聯合光伏(常州)投資有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the business valuation report on the fair value of the business enterprise of the Target Group as at 31 October 2014 prepared by the Independent Valuer, the text of which is set out in Appendix I to this circular
"Zhongli"	Zhongli New Energy (Hong Kong) Investment Limited (中利新能源(香港)投資有限公司), a company incorporated in Hong Kong with limited liability
"30% controlled company"	has the meaning ascribed thereto in the Listing Rules
"49% Equity Interest"	the 49% equity interest in the Target Company to be owned by CM Yinke upon the Acquisition Completion

* *For identification purpose only*

UNITED PHOTOVOLTAICS GROUP LIMITED

聯 合 光 伏 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

Executive Directors:
Mr. Li, Alan *(Chairman)*
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

27 February 2015

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF 51% OF THE EQUITY INTEREST OF CHANGZHOU GUANGYU NEW ENERGY COMPANY LIMITED AND GRANT OF OPTIONS OVER 49% OF THE EQUITY INTEREST OF SUCH COMPANY UNDER SPECIFIC MANDATE (2) FORMATION OF JOINT VENTURE (3) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF UP TO HK$529,000,000 7.5% SECURED CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 23 January 2015 in relation to, among other things, the Equity Transfer Agreement, the Acquisition, the Options Agreement, the CM Yinke Put Option, the Subscription Agreement and the CB Issue, and the announcement of the Company dated 9 February 2015 in relation to, among other things, the JV Formation Agreement and the proposed formation of the Joint Venture.

The purpose of this circular is to provide you with, among other things, (i) details of the Equity Transfer Agreement, the Acquisition, the Options Agreement, the CM Yinke Put Option, the JV Formation Agreement, the Joint Venture, the Subscription Agreement and the CB Issue; (ii) details of the Target Group; (iii) a letter of advice from the Independent Financial Adviser; (iv) the Valuation Report; and (v) the notice of the SGM together with the proxy form to the Independent Shareholders to consider and, if thought fit, to approve the Transactions.

A. THE ACQUISITION AND THE GRANT OF OPTIONS

The Equity Transfer Agreement

On 23 January 2015 (after trading hours), UP (Changzhou), CM Yinke and CM Trenda entered into the Equity Transfer Agreement, pursuant to which CM Trenda conditionally agreed to sell, and UP (Changzhou) and CM Yinke conditionally agreed to purchase, 51% and 49% of the equity interests in the Target Company for cash considerations of RMB21,711,440 (equivalent to approximately HK$27,356,414) and RMB20,860,011 (equivalent to approximately HK$26,283,614) respectively.

Date

23 January 2015

Parties

UP (Changzhou) (as a purchaser)
CM Yinke (as a purchaser)
CM Trenda (as the vendor)

Subject matter of the Equity Transfer Agreement

CM Trenda conditionally agreed, among other things, to sell and transfer to UP (Changzhou), and UP (Changzhou) conditionally agreed to purchase, the Sale Equity subject to the fulfilment of the Acquisition Conditions.

Conditions of the Acquisition

The Acquisition is conditional upon fulfilment of the following conditions:

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

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

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

(d) CM Trenda having provided financial statements of the Target Group satisfactory to each of UP (Changzhou) and CM Yinke and a valuation report(s) having been issued by an independent valuer appointed by the parties to the Equity Transfer Agreement;

(e) the due diligence investigation results of the Target Company having been reviewed and approved by each of UP (Changzhou) and CM Yinke;

(f) the Independent Shareholders having passed at the SGM all resolutions required under the Listing Rules to approve the Equity Transfer Agreement and the transactions contemplated under the Equity Transfer Agreement;

(g) the fund management committee of CM Yinke having approved the transactions contemplated under the Equity Transfer Agreement; and

(h) the Target Company having completed recording UP (Changzhou) and CM Yinke as shareholders in respect of 51% and 49%, respectively, of the equity interests of the Target Company in its register of shareholders and the related legal procedures and documents and the Target Company having obtained a new business license for a sino-foreign joint venture of the Target Company.

No party to the Equity Transfer Agreement may waive any Acquisition Condition. If any of the Acquisition Conditions is not satisfied by 30 April 2015 (or such later day that the parties to the Equity Transfer Agreement may agree), the Equity Transfer Agreement will terminate without prejudice to the rights and remedies available to a party in respect of the antecedent breach of other parties under the Equity Transfer Agreement.

Consideration

The consideration for the Sale Equity is RMB21,711,440 (equivalent to approximately HK$27,356,414), payable by UP (Changzhou) in cash.

The consideration for the 49% Equity Interest is RMB20,860,011 (equivalent to approximately HK$26,283,614), payable by CM Yinke in cash.

50% of the consideration for the Sale Equity will be paid within ten business days after satisfaction of the Acquisition Conditions set out in items (a) to (g) in the paragraph headed "**Conditions of the Acquisition**" under the section headed "**A. The Acquisition and the grant of Options — The Equity Transfer Agreement**" in the Letter from the Board of this circular and the remaining balance 50% of the consideration will be paid within ten business days after satisfaction of the Acquisition Condition set out in item (h) in the paragraph headed

"**Conditions of the Acquisition**" under the section headed "**A. The Acquisition and the grant of Options — The Equity Transfer Agreement**" in the Letter from the Board of this circular.

The Directors are of the view that the consideration for the Acquisition is fair and reasonable and was determined after arm's length negotiation between the parties taking into consideration the unaudited consolidated net asset value of the Target Group as at 31 October 2014.

Capital increase for settlement of the outstanding debts

Subject to the Acquisition Completion taking place, UP (Changzhou) and CM Yinke have agreed to contribute RMB364,358,560 (equivalent to approximately HK$459,091,786) and RMB350,069,989 (equivalent to approximately HK$441,088,186), respectively, as additional registered capital to the Target Company based on their respective shareholdings in the Target Company after completion of their acquisitions in accordance with the Equity Transfer Agreement. Such additional registered capital of the Target Company to be contributed by UP (Changzhou) and CM Yinke under the Capital Increase will be utilised as to approximately RMB694,500,000 (equivalent to approximately HK$875,100,000) for the settlement of the outstanding debts due to an EPC Contractor which is a party independent of and not connected with the Company or its connected persons; and the remaining funds in an amount of approximately RMB19,928,500 (equivalent to approximately HK$25,110,000) for settlement of other payables due to other parties who are also independent of and not connected with the Company or its connected persons and as general working capital for operation and maintenance of the solar power plants of the Target Group.

Completion

The Acquisition Completion will take place within ten business days after satisfaction of the Acquisition Conditions.

After the Acquisition Completion, members of the Target Group will become non-wholly owned subsidiaries of the Company.

CM Yinke (or the investment fund managed by CM Yinke) may take up the 49% Equity Interest agreed to be acquired by CM Yinke under the Equity Transfer Agreement.

Having considered, among other things, the financial information and the prospects of the Target Group, the Directors are of the opinion that the terms of the Equity Transfer Agreement (including the consideration of the Acquisition) are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Options Agreement

On 23 January 2015 (after trading hours), the Company, CM Yinke and UP (Changzhou), entered into the Options Agreement, pursuant to which (i) the Company conditionally agreed to grant CM Yinke the CM Yinke Put Option whereby CM Yinke could request the Company to acquire part or all of the 49% Equity Interest and (ii) CM Yinke conditionally agreed to grant the Company the Company Call Option whereby the Company could request CM Yinke to sell to the Company all the 49% Equity Interest.

Date

23 January 2015

Parties

The Company
CM Yinke
UP (Changzhou)

Subject matter of the Options Agreement

Pursuant to the Options Agreement, the Company conditionally agreed to grant CM Yinke the CM Yinke Put Option and CM Yinke conditionally agreed to grant the Company the Company Call Option subject to the fulfilment of the Options Conditions.

Pursuant to the Equity Transfer Agreement, CM Yinke will acquire the 49% Equity Interest at RMB20,860,011 (equivalent to approximately HK$26,283,614).

Conditions of the Options Agreement

The grant of the CM Yinke Put Option by the Company and the grant of the Company Call Option by CM Yinke are both conditional upon the fulfilment of the following Options Conditions:

(a) the Company having obtained the Independent Shareholders' approval of the Options Agreement and transactions contemplated thereunder (including the allotment and issue of the Consideration Shares to be issued pursuant to the exercise of the CM Yinke Put Option) as required under the Listing Rules;

(b) the Company having obtained from the Listing Committee of the Stock Exchange the listing of, and permission to deal in, the Consideration Shares to be issued pursuant to the exercise of the CM Yinke Put Option;

(c) the Acquisition Completion having taken place; CM Yinke and UP (Changzhou) having become the registered holders of the 49% Equity Interest and the Sale Equity respectively; and CM Yinke and UP (Changzhou) having made their respective contributions to the Target Company pursuant to the Capital Increase; and

(d) the fund management committee of CM Yinke having approved the transactions contemplated under the Options Agreement.

The Options Conditions have to be fulfilled by 30 April 2015 (or such later date as the parties to the Options Agreement may agree). If any of the Options Conditions is not fulfilled by such date, the Options Agreement will terminate and both parties will be discharged from their obligations thereunder.

CM Yinke Put Option

Subject to the satisfaction of the Options Conditions, CM Yinke may exercise the CM Yinke Put Option at any time during the Option Period to require the Company to acquire part or all of the 49% Equity Interest from CM Yinke at the Agreed Option Price. The Agreed Option Price shall be satisfied by the allotment and issue of Consideration Shares at HK$1.03 per Share (subject to adjustments as set out in the paragraph headed "**Adjustment to the reference prices**" below) (the "**Issue Price**").

No price is payable by CM Yinke for the grant of the CM Yinke Put Option.

Company Call Option

Subject to the satisfaction of the Options Conditions, if at any time during the Option Period, the average closing price of the Shares for any fifteen consecutive trading days reaches HK$1.7 per Share (the "**Trigger Price**"), the Company may exercise the Company Call Option to require CM Yinke to sell all the 49% Equity Interest to the Group at the Agreed Option Price. The Agreed Option Price shall be satisfied by the allotment and issue of Consideration Shares at the Issue Price.

The initial Issue Price of HK$1.03 per Share was determined by the parties to the Options Agreement based on their arm's length negotiations with reference to a premium of 10% over the average closing price per Share for the 5 trading days immediately preceding the date on which the Cooperation Agreement in respect of, among other things, the Options was entered into.

The Trigger Price of HK$1.7 per Share, being 65% over the initial Issue Price of HK$1.03 per Share, was determined by the parties to the Options Agreement based on their arm's length negotiations.

No price is payable by the Company for the grant of the Company Call Option.

Adjustment to the reference prices

If there is any change in the nominal value of the Shares as a result of consolidation or subdivision, the Issue Price shall be adjusted correspondingly and the Trigger Price shall be adjusted to such amount representing a premium of 65% over the new Issue Price.

Agreed Option Price

The Agreed Option Price shall be determined according to the following formula:

$$\frac{(A + B - C) \times D}{E}$$

Where:

"A" refers to the consideration paid by CM Yinke for the 49% Equity Interest pursuant to the Equity Transfer Agreement, plus or minus any increase or reduction (as the case may be) in capital contributed by CM Yinke to the Target Company during its holding of the 49% Equity Interest.

"B" refers to the premium over the 49% Equity Interest, which is derived as follows:

A x interest rate of 7.5% per annum x (the actual number of days between the completion of the acquisition of the 49% Equity Interest pursuant to the Equity Transfer Agreement or Capital Increase (as the case may be) and the date on which the parties enter into an equity transfer agreement in relation to the 49% Equity Interest pursuant to the exercise of the CM Yinke Put Option or the Company Call Option (as the case may be), divided by 365).

"C" refers to any dividend paid to and received by CM Yinke from the Target Company.

"D" refers to the equity interest in the Target Company being transferred from CM Yinke to the Group.

"E" refers to the total equity interest in the Target Company held by CM Yinke.

In the event the CM Yinke Put Option or the Company Call Option is exercised, the Company will comply with the requirements of the Listing Rules including, where applicable, the independent shareholders' approval requirement in respect thereof and make further announcement(s) as and when appropriate.

Consideration Shares

Based on the consideration of RMB20,860,011 (equivalent to approximately HK$26,283,614) for CM Yinke to acquire the 49% Equity Interest, the commitment of CM Yinke to contribute RMB350,069,989 (equivalent to approximately HK$441,088,186) under the Capital Increase and assuming that (i) either of the Options will only be exercised near the end of the three-year Option Period so that close to three years' interest at 7.5% per annum will be paid to CM Yinke as premium and (ii) no dividend will be paid by the Target Company during the Option Period of three years, the maximum Agreed Option Price of RMB454,389,250 (equivalent to approximately HK$572,530,455) is arrived at by application of the formula set out above as follows:

$$(\text{RMB}20{,}860{,}011 + \text{RMB}350{,}069{,}989) \times (1+ 7.5\% \times 3) = \text{RMB}454{,}389{,}250$$

Based on the maximum Agreed Option Price of RMB454,389,250 (equivalent to approximately HK$572,530,455) and the initial Issue Price of HK$1.03 per Share, a maximum number of 555,854,810 Consideration Shares, representing approximately 11.72% of the issued share capital of the Company as at the Latest Practicable Date, may be issued pursuant to the exercise of the CM Yinke Put Option or the Company Call Option (as the case may be).

The Consideration Shares issuable upon exercise of the CM Yinke Put Option will be issued pursuant to a specific mandate to be sought at the SGM and the Consideration Shares issuable upon exercise of the Company Call Option will be issued pursuant to a specific mandate to be sought in the future.

Listing application

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued pursuant to the exercise of the CM Yinke Put Option or the Company Call Option, as the case may be.

Others

Having considered, among other things, the financial information and prospects of the Target Group and the consideration payable by CM Yinke to acquire the 49% Equity Interest under the Equity Transfer Agreement, the Directors are of the opinion that the terms of the Options Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Target Group

The Target Company is a company with limited liability established under the laws of the PRC and is a wholly owned subsidiary of CM Trenda. CM Trenda is an indirect wholly owned subsidiary of EBOD, which was in turn an associate of CMNEG as at the date of the Equity Transfer Agreement.

The Target Group comprises the Target Company and the Project Companies, where the Target Company owns the entire equity interest in the Project Companies. The Target Group is principally engaged in developing and operating solar power plants. Each of the Project Companies owns two solar power plant projects respectively in Hami City and Turpan City, Xinjiang, the PRC. The four solar power plants have an approximate aggregate installed capacity of 80 MW. As of 31 October 2014, electricity of approximately 67,305,000 KWh had been generated by the four plants since the achievement of on-grid connection of 3 of the solar power plants in late 2013 and the last one in late 2014.

The electricity generated by the solar power plants is sold to State Grid Xinjiang Electric Power Corporation* (國網新疆電力公司). The major supplier of the Target Group is an EPC Contractor. The major assets of the Target Group mainly comprise photovoltaic solar modules, inverters and other equipment for electricity generation and its major liabilities are the payables to an EPC Contractor and long-term bank borrowings.

The Target Group has incurred capital expenditure, mainly as development and construction costs, which amounts to approximately RMB694.5 million and such liabilities will be settled by utilising the funds available to the Target Group under the Capital Increase after the Acquisition. The Target Group did not have other capital commitment as at the Latest Practicable Date.

Financial Information of the Target Group

Set out below is certain financial information of the Target Group extracted from its management accounts prepared in accordance with the Accounting System for Business Enterprises in the PRC:

	For the year ended 31 December 2013 *RMB ('000)* (unaudited)	**For the year ended 31 December 2012** *RMB ('000)* (unaudited)
Loss before tax	348	307
Loss after tax	348	307

	As at 31 October 2014 *RMB ('000)* (unaudited)
Total assets	851,445
Total liabilities	(810,857)
Net assets	40,588

The Target Group started to generate electricity in 2014. For the ten months ended 31 October 2014, the unaudited profit before tax was approximately RMB30,941,000 (equivalent to approximately HK$38,985,660).

Based on the acquisition agreement made by CM Trenda in 2013, the original cost of the Sale Equity to CM Trenda was RMB10,000,000 (equivalent to approximately HK$12,600,000).

The Company has engaged the Independent Valuer to prepare the Valuation Report, the text of which is reproduced in Appendix I to this circular. As the discounted cash flow method of the income approach is adopted by the Independent Valuer in preparing the Valuation Report, the Valuation Report constitutes a profit forecast pursuant to Rule 14.61 of the Listing Rules.

The executive Directors and the non-executive Directors attended meetings and held discussions with the management of the Company and the Target Company, having considered the opinions of the Independent Valuer and the reporting accountant to the Company, in respect of, among other matters, the historical performance and prospects of the Target Group, the valuation methodology and principal assumptions adopted for the valuation. During these meetings, the executive Directors and the non-executive Directors made enquiries about the Valuation Report. The Board confirmed that the valuation methodology and principal assumptions adopted in the Valuation Report to be fair and reasonable and the profit forecast included in the Valuation Report has been made after its due and careful enquiry.

The Directors have considered, in particular, the assumptions in the Valuation Report and are of the view that these assumptions are fair and reasonable having considered that the business plans, the profit and cashflow forecasts and the estimated capital expenditure of the Target Group referred to in such principal assumptions are consistent with the Group's strategies, future plans and internal assessment in respect of the business and operation of the Target Group after the Acquisition Completion and the relevant plans, forecasts and estimates are considered to be reasonable and practicable based on the expertise and experience of the Group's management in the photovoltaics industry.

B. FORMATION OF THE JOINT VENTURE

The JV Formation Agreement

On 9 February 2015 (after trading hours), UP (Changzhou) and CM Yinke entered into the JV Formation Agreement whereby the parties agreed to enter into the JV Contract and the New Articles for the formation of the Joint Venture upon the Acquisition Completion.

The principal terms of the JV Contract are set out below.

The JV Contract

Principal terms of the JV Contract

Parties

UP (Changzhou)
CM Yinke (or the investment fund managed by CM Yinke) ("**CM Yinke Party**")

Business scope of the Target Company

The business scope of the Target Company will include, among other things, the investment, construction, operation, maintenance and management of solar power plants, research and development of photovoltaic solar power technology and facilities, provision of technical consultancy services for photovoltaic solar power projects, sale of photovoltaic solar power facilities and sale of metal hardware products, traffic equipment and electromechanical devices.

Registered capital of the Target Company

The Target Company is a company with limited liability established under the laws of the PRC with a registered capital of RMB10 million (equivalent to approximately HK$12.6 million). Upon the Acquisition Completion, the Target Company will be owned as to 51% and 49% by UP (Changzhou) and CM Yinke Party respectively.

Pursuant to the JV Contract, the Target Company may raise working capital by way of loan or increase of its registered capital. In the latter case, the parties to the JV Contract are entitled to contribute capital in proportion to their respective equity interests in the Target Company.

Board composition

The board of directors of the Target Company will have three members, two of whom (including the chairman of the board of directors) will be appointed by UP (Changzhou) and one of whom (being the vice-chairman of the board of directors) will be appointed by CM Yinke Party.

The quorum for a meeting of the board of directors will be two directors.

Distribution of profits

UP (Changzhou) and CM Yinke Party will share the profit, risks and loss of the Target Company in proportion to their respective equity interests in the Target Company.

Matters requiring unanimous approval by the directors of the Target Company

The following matters will require the unanimous approval of the directors of the Target Company:

(a) any amendment to the JV Contract or articles of association of the Target Company;

(b) cessation or winding up of the Target Company;

(c) any division or merger of the Target Company; and

(d) any increase or reduction of the share capital of the Target Company.

All other matters will be approved by a majority of the directors present or represented at a board meeting.

Transfer, mortgage, pledge or disposal of equity interests in the Target Company

Neither UP (Changzhou) nor CM Yinke Party may transfer, mortgage, pledge, or otherwise dispose all or part of its equity interest in the Target Company without the prior consent of the board of directors of the Target Company. If either UP (Changzhou) or CM Yinke Party wishes to transfer all or part of its equity interest in the Target Company to a third party, the other party will have a pre-emptive right to purchase such equity interest on the same terms and conditions as those being offered to the third party.

The New Articles

The New Articles essentially mirror the terms of the JV Contract.

The Directors consider that the Group entered into the JV Formation Agreement in its ordinary course of business and that the terms of the JV Formation Agreement and the transactions contemplated thereunder (including the entering into of the JV Contract and the New Articles and the formation of the Joint Venture) are on normal commercial terms, fair and reasonable having considered the respective shareholdings of UP (Changzhou) and CM Yinke Party and in the interests of the Company and the Shareholders as a whole.

C. CB ISSUE

The Subscription Agreement

On 23 January 2015 (after trading hours), the Company and CM Fund entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and CM Fund conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of up to HK$529,000,000.

Date

23 January 2015

Issuer

The Company

Subscriber

CM Fund

Convertible Bonds

The Company has conditionally agreed to issue the Convertible Bonds in the principal amount of up to HK$529,000,000 to CM Fund at 100% of the principal amount of the Convertible Bonds subject to fulfilment of the CB Conditions.

Holders of the Convertible Bonds will be entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period. Assuming full subscription of the Convertible Bonds at HK$529,000,000 and exercise in full of the Conversion Rights at the initial Conversion Price, an aggregate of 513,592,233 Conversion Shares will be issued, representing approximately 10.83% of the issued share capital of the Company as at the Latest Practicable Date and approximately 9.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares and no interest under the Convertible Bonds was paid by the issue of Conversion Shares).

The final principal amount of the Convertible Bonds will be the lower of (i) the HKD equivalent of RMB420,000,000 available to CM Fund from selling RMB420,000,000 for HKD at the Industrial and Commercial Bank of China Limited on the completion date for the CB Issue; and (ii) HK$529,000,000.

The Convertible Bonds will constitute secured obligations of the Company and rank *pari passu* and rateably without any preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) or priority among themselves.

The Conversion Shares, when fully paid and allotted, will rank *pari passu* with the Shares then in issue on the date of allotment and issue of the relevant Conversion Shares and among themselves.

The principal terms of the Convertible Bonds are summarized below.

Principal terms of the Convertible Bonds

Principal amount

Up to HK$529,000,000

Issue price

100% of the principal amount of the Convertible Bonds, payable in cash

Interest

The Convertible Bonds will bear interest at the rate of 7.5% per annum, payable annually in arrears.

Except in the following situations where the accrued but unpaid interest will be paid in the form of Conversion Shares, the interest will be paid in cash:

(a) in the event of a Mandatory Conversion, the accrued but unpaid interest will be paid by the issue of Conversion Shares at the Conversion Price then in effect; and

(b) upon the exercise of the Conversion Rights, a Bondholder elects to receive the accrued but unpaid interest in the form of Conversion Shares issued at the Conversion Price then in effect.

As interest will be paid annually in arrears, the maximum accrued interest at any point of time during the term of the Convertible Bonds will not exceed HK$39,675,000, the amount of interest for one year. On this basis, assuming Conversion Shares were required to be issued for payment of interest under the Convertible Bonds and all such Conversion Shares were issued at the initial Conversion Price, a maximum of 38,519,417 Conversion Shares will be issued for payment of interest.

Maturity Date

The third anniversary of the Issue Date

Conversion Period

Bondholders are entitled to exercise the Conversion Rights at any time from the last day of a six-month period immediately following the Issue Date and ending on the fifth business day prior to the Maturity Date.

Conversion Rights of the Bondholders and the Mandatory Conversion

Bondholders are entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period, provided that exercise of Conversion Rights will not result in (i) a change of control (within the meaning of the Hong Kong Code on Takeovers and Mergers) of the Company or (ii) insufficient public float of the Shares as defined under the Listing Rules.

The Company is entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares if at any time during the period commencing from the last day of a six-month period immediately following the Issue Date and ending on the Maturity Date, the average closing price per Share on the Stock Exchange for any fifteen consecutive trading days reaches HK$1.70 per Share (or if there is any adjustment of the Conversion Price, such other price per Share representing a premium of 65 % over the Conversion Price in effect) or above.

Conversion Price

HK$1.03

The Conversion Price is subject to adjustments in accordance with the terms and conditions set out in the Bond Instrument if any of the following specific events occurs:

(a) where there is an alteration to the nominal amount of a Share by reason of any consolidation or subdivision;

(b) where the Company issues (other than in lieu of a cash dividend) any Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(c) where the Company makes (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own shares which is permitted by the Listing Rules and in accordance with the provisions of the Company's memorandum of association and bye-laws) any capital distribution (including distribution in cash or specie, and any dividend charged or provided for in the accounts of for any financial period) to holders of Shares or grants such holders rights to acquire for cash assets of the Company or its subsidiaries;

(d) where the Company offers to holders of new Shares for conversion by way of rights, or grants to holders of Shares any options or warrants to subscribe for new Shares at a price per Share which is less than 90% of the market price (as defined in the Bond Instrument);

(e) where the Company or any other company shall issue wholly for cash any securities which by their terms are convertible or exchangeable for or carrying rights of conversion for new Shares, and the total effective consideration (as defined in the Bond Instrument) per new Share initially receivable for such securities is less than 90% of the market price (as defined in the Bond Instrument);

(f) where the rights of conversion or exchange or conversion attached to any such securities as are mentioned in paragraph (e) above are modified, so that the total effective consideration (as defined in the Bond Instrument) per new Share initially receivable for such securities is less than 90% of the market price (as defined in the Bond Instrument);

(g) where the Company issues wholly for cash any Shares at a price per Share which is less than 90% of the market price (as defined in the Bond Instrument); or

(h) where the Company makes an offer or invitation to holders of Shares to tender for sale to the Company any Shares or if the Company purchases any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission or equivalent authority and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the Conversion Price.

The mechanism and formulae for adjustment of the Conversion Price are set out in Appendix III. Whenever the Conversion Price is adjusted, the Company shall give notice to the Bondholders and shall make available for inspection by the Bondholders, *inter alia*, a signed certificate of the auditors or an independent merchant bank appointed by the Company setting out the adjustment to the Conversion Price. The Company will also make announcement on any adjustment of the Conversion Price.

Assuming full subscription of the Convertible Bonds at HK$529,000,000 and conversion of the Convertible Bonds into Conversion Shares in full at the initial Conversion Price of HK$1.03 per Share, the net price per Conversion Share to the Company (after deducting the expenses of approximately HK$2,000,000 to be incurred by the Company for the CB Issue) is HK$1.026.

Redemption at maturity

The Company will redeem the Convertible Bonds on the Maturity Date at 100% of the outstanding principal amount together with accrued but unpaid interest. The Convertible Bonds will be cancelled upon redemption.

Transferability

The Convertible Bonds are freely transferable except that transfer of any of the Convertible Bonds to a connected person of the Company is subject to prior written approval of the Company.

Listing

No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

Security

The Convertible Bonds will be secured by the pledge of the following assets:

(a) the Sale Equity held by UP (Changzhou);

(b) 100% of the equity interest in the Hami Project Company;

(c) all the rights of the Hami Project Company to receive feed-in tariff payments in respect of the solar power plants at Agricultural Thirteenth Division Hongxing Fourth Development Zone Phase I and Hami Huiteng Hongxing Fourth Development Zone Phase II with aggregate installed capacity of approximately 40 MW (the "**Target Solar Power Plants**"); and

(d) the fixed assets of the Target Solar Power Plants.

Upon the Acquisition Completion, UP (Changzhou) will have control over the board of directors of the Target Company as two out of three directors will be appointed by UP (Changzhou). Since the pledging of the Target Company's 100% equity interest in the Hami Project Company requires approval of a simple majority of directors and UP (Changzhou) will have control over the board of directors of the Target Company, the fact that UP (Changzhou) only acquires the Sale Equity under the Acquisition does not prevent the Company from pledging the Target Company's 100% equity interest in the Hami Project Company as part of the Security.

The Company estimates the rights of the Hami Project Company to receive feed-in-tariff payments in respect of its 40 MW solar power plants at projected cash flows of approximately RMB187,500,000 (equivalent to approximately HK$236,250,000) based on undiscounted revenue forecast over a period of three years (which is the term of the Convertible Bonds). Such revenue forecast is also adopted in the Valuation Report. The Company values the fixed assets of the Target Solar Plants at approximately RMB370,000,000 (equivalent to approximately HK$466,200,000) based on the net book value of such fixed assets as at 31 October 2014.

Having considered that the assets to be acquired under the Acquisition may be offered as security for the Convertible Bonds to raise funds and based on similar proposed security arrangements with independent third party investors, the Company considers that offering the Security for the CB Issue is in the interest of the Company and the Shareholders as a whole.

Events of default

Major events of default under the Bond Instrument are summarized below:

(a) default of the Company in payment of the principal or premium (if any) of or any interest on any of the Convertible Bonds when due and such failure continues for a period of thirty days;

(b) default of the Company in the performance or compliance with any of its other obligations under the Convertible Bonds or the Bond Instrument and such default continues for a period of thirty days after the notice requiring the same to be remedied is served by any Bondholder or a group of Bondholders holding not less than 75% of the outstanding principal amount of the Convertible Bonds on the Company;

(c) a distress, attachment or other legal process is levied, enforced or sued out on or against the whole or any part of the property, assets and revenues of the Company or any Major Subsidiary, which in the reasonable opinion of the Bondholders, has or would have a material adverse effect on the Company or such Major Subsidiary and is not discharged or stayed within forty-five days;

(d) the Company or any Major Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when they fall due; stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts;

(e) an order of a court is made or an effective resolution passed for the winding-up or dissolution or administration (or equivalent procedure) of the Company or any Major Subsidiary;

(f) an administrative or other receiver or any manager (or equivalent person) is duly appointed of the Company or any Major Subsidiary or the directors of the Company or any Major Subsidiary request any person to appoint such an administrative or other receiver or manager (or equivalent person) over either of them or any of their respective assets or properties; or

(g) if trading of the Shares on the Stock Exchange is suspended for a period of more than twenty consecutive trading days.

If any of the above events of default occurs and is continuing, Bondholders holding not less than 75% of the outstanding principal amount of the Convertible Bonds may by giving written notice to the Company require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds. The Security shall become immediately enforceable if an event of default occurs and is continuing for more than thirty days after written notice given by the Bondholders.

Initial Conversion Price

The initial Conversion Price represents:

(a) a premium of approximately 1.98% over the closing price of HK$1.01 per Share as quoted on the Stock Exchange on 23 January 2015, being the date of the Subscription Agreement;

(b) a premium of approximately 2.79% over the closing price of HK$1.002 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 January 2015;

(c) a premium of approximately 139.53% over the unaudited net asset value per Share as at 30 June 2014; and

(d) a premium of approximately 6.19% over the closing price of HK$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price was determined after an arm's length negotiation between the Company and CM Fund. The initial Conversion Price of HK$1.03 per Share was determined based on a premium of 10% over the average closing price per Share for the 5 trading days immediately preceding the date on which the Cooperation Agreement in respect of, among other things, the CB Issue was entered into.

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the CB Issue and the issue of the Conversion Shares) are on normal commercial terms, fair and reasonable having considered the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the CB Issue

Issue of the Convertible Bonds is conditional upon the fulfilment of the following CB Conditions:

(a) the Company having obtained the Independent Shareholders' approval of the Subscription Agreement and the transactions contemplated thereunder (including the CB Issue and the issue of the Conversion Shares);

(b) the Listing Committee of the Stock Exchange having granted to the Company the listing of, and the permission to deal in, the Conversion Shares or such number of Conversion Shares which may be issued at the initial Conversion Price (which is subject to no condition or conditions in accordance with the market practice);

(c) fulfilment or waiver of the Acquisition Conditions;

(d) the Company and CM Fund having obtained all necessary approval, consent or authorization (where applicable) from government authorities or other third party entities for the entering into the Subscription Agreement and the transactions contemplated thereunder;

(e) CM Fund having established a special-purpose asset management plan to raise funds for the subscription of the Convertible Bonds;

(f) the Acquisition Completion having taken place; and

(g) registration of the Security Documents with the governmental authorities in the PRC having been completed.

The CB Conditions have to be fulfilled by no later than 30 April 2015 or such other date to be agreed by the Company and CM Fund. If any of the CB Conditions is not fulfilled by such date, the Subscription Agreement will terminate and both parties will be discharged from their obligations thereunder, except for liability arising from breach(es) prior to termination of the Subscription Agreement.

Completion of the CB Issue

Subject to fulfilment of the CB Conditions, completion of the CB Issue will take place on the seventh business day after the fulfilment of all the CB Conditions or such other business day that the Company and CM Fund may agree.

Subject to the fulfilment of the CB Conditions including the Independent Shareholders' approval of the CB Issue at the SGM, it is expected that completion of the CB Issue will take place within one month after the SGM.

Issue of the Conversion Shares

The Conversion Shares will be issued pursuant to a specific mandate to be sought at the SGM.

Listing Application

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Negotiation with independent investors

In around October 2014, the Company also approached various investors who are parties independent of and not connected with the Company besides CM Fund to raise funds for acquisition of solar power plants through issue of convertible bonds or other forms of financing. One of those independent investors is Chinastone Capital Management Limited* (濤石股權投資管理(上海)有限公司) ("**Chinastone**"). The negotiations between the Company and Chinastone resulted in their entering into a framework agreement in relation to the proposed issue and subscription of convertible bonds on 30 December 2014. Details of Chinastone and the terms of the relevant convertible bonds of the Company proposed to be issued to it are set out in the announcement of the Company dated 30 December 2014. As at the Latest Practicable Date, the Company was still in negotiation with other independent investors for various financing proposals including issue of convertible bonds, finance lease and loan arrangements and the Company had not yet entered into definitive agreements with such investors.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Transaction	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
18 December 2014	Issue of 380,000,000 Shares	HK$379 million	General working capital	Proposed to be used as intended

Save as disclosed above, the Company has not conducted any other equity fund raising exercise in the past twelve months before the Latest Practicable Date.

INFORMATION ON CM TRENDA

CM Trenda is a company with limited liability established under the laws of the PRC and is engaged in the supply of photovoltaic products and services. CM Trenda is an indirect wholly owned subsidiary of EBOD, which was in turn an associate of CMNEG as at the date of the Equity Transfer Agreement.

INFORMATION ON CM YINKE

CM Yinke is a company with limited liability established under the laws of the PRC and is engaged in equity interest investment. CM Yinke is an indirect non-wholly owned subsidiary of China Merchants.

INFORMATION OF CM FUND

CM Fund is a company with limited liability established under the laws of the PRC and is a comprehensive asset management platform. CM Fund is indirectly owned as to 55% by CM Bank and as to 45% by CM Securities. CM Securities is an indirect non-wholly owned subsidiary of China Merchants.

INFORMATION ON THE COMPANY AND REASONS FOR THE TRANSACTIONS

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

It is the Group's strategy to identify suitable investment opportunities to acquire solar power plants with good prospects and potential for stable returns. Having taken into consideration the fact that the Projects have successfully achieved on-grid connection, the Directors are of the view that the Acquisition and the formation of the Joint Venture will enable the Group to further expand its scale of business in the solar energy sector and enhance return to the Shareholders.

Upon the Acquisition Completion, the Target Company will become a joint venture between UP (Changzhou) and CM Yinke in the respective shareholding of 51% and 49%. UP (Changzhou) and CM Yinke wish to set out their agreement on how the Target Company should be managed, the parties' respective rights and obligations as shareholders and the manner in which the affairs of the Target Company are to be conducted upon the Acquisition Completion. They have accordingly entered into the JV Formation Agreement to settle the terms and conditions of the JV Contract and the New Articles. The Options Agreement sets out the mechanism for the Group's acquisition of the 49% Equity Interest from CM Yinke in the future, which is a long term plan of the Group, with certainty in the maximum amount of consideration and the payment terms including the satisfaction of such consideration by the issue of the Consideration Shares. In addition, considering the extensive asset management experience, management systems and the strong financial base of China Merchants, it is expected that the entering into of the Options Agreement will facilitate the expansion of the new energy business of the Company with the operational and financial support from the substantial Shareholder such as (i) cooperation on the development of solar power plant projects by leveraging on the existing network and resources of certain associates of China Merchants; (ii) provision of rooftops for construction of distributed solar power plants; and (iii) provision of financing for the Group's expansion of its solar power business, which is beneficial to the Group.

The Company issues the Convertible Bonds to raise funds to finance the Target Group's capital expenditure and for general working capital purposes.

It is expected that, after deduction of the estimated expenses of about HK$2,000,000, assuming full subscription of the Convertible Bonds up to HK$529,000,000, net proceeds of about HK$527,000,000 will be raised through the CB Issue. It is expected that such net proceeds will be used as to (i) approximately 85% for capital expenditure, i.e., the payment of development and construction costs; and (ii) approximately 15% as general working capital, in particular, for payment of costs and expenses for the operation and maintenance of the existing solar power plants owned by the Target Group.

The Directors consider that the Transactions are on normal commercial terms after arm's length negotiation between the parties, fair and reasonable and in the interests of the Company and Shareholders as a whole.

SHAREHOLDING STRUCTURE

The table below sets out changes in the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertibles Bonds at the initial Conversion Price (assuming all interest will be settled in cash); (iii) immediately after the allotment and issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price and the Outstanding Convertible Securities at their respective current conversion prices (assuming all interest under the Convertible Bonds will be settled in cash); and (iv) immediately after the allotment and issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price and the Outstanding Convertible Securities at their respective current conversion prices (assuming all interest under the Convertible Bonds will be settled in cash) and the allotment and issue of the Consideration Shares under the Options Agreement at the initial Issue Price (for scenarios (ii), (iii) and (iv), also assuming there will not be any repurchase of Shares or issue of other new Shares):

	(i) As at the Latest Practicable Date		**(ii) Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price**		**(iii) Immediately after the allotment and issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price and the Outstanding Convertible Securities at their respective current conversion prices** *(Notes 6, 7 and 8)*		**(iv) Immediately after the allotment and issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, the Outstanding Convertible Securities at their respective current conversion prices and the allotment and issue of the Consideration Shares under the Options Agreement at the initial Issue Price**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
CMNEG and parties acting in concert with it								
CMNEG *(Note 1)*	567,538,250	11.97	567,538,250	10.80	1,007,574,250	14.75	1,007,574,250	13.64
Snow Hill Developments Limited *(Note 2)*	103,111,436	2.17	103,111,436	1.96	103,111,436	1.51	103,111,436	1.40
Magicgrand *(Note 3)*	141,230,827	2.98	141,230,827	2.69	141,230,827	2.07	141,230,827	1.91
Pairing Venture Limited *(Note 4)*	18,173,487	0.38	18,173,487	0.35	18,173,487	0.27	18,173,487	0.25
EBOD *(Note 5)*	253,977,621	5.36	253,977,621	4.83	333,925,621	4.89	333,925,621	4.52
Sino Arena Investments Limited	58,361,516	1.23	58,361,516	1.11	98,381,516	1.44	98,381,516	1.33
Sub-total:	**1,142,393,137**	**24.09**	**1,142,393,137**	**21.74**	**1,702,397,137**	**24.93**	**1,702,397,137**	**23.05**
Other associates of China Merchants								
CM Fund	—	—	513,592,233	9.77	513,592,233	7.52	513,592,233	6.95
CM Yinke	—	—	—	—	—	—	555,854,810	7.53
Sub-total:	**—**	**—**	**513,592,233**	**9.77**	**513,592,233**	**7.52**	**1,069,447,043**	**14.48**
Public Shareholders	**3,598,873,188**	**75.91**	**3,598,873,188**	**68.49**	**4,613,682,774**	**67.55**	**4,613,682,774**	**62.47**
Total:	**4,741,266,325**	**100**	**5,254,858,558**	**100**	**6,829,672,144**	**100**	**7,385,526,954**	**100**

Notes:

1. CMNEG is indirectly owned as to 79.36% by China Merchants and directly owned as to 20.64% by Magicgrand.

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

3. Magicgrand is directly and indirectly wholly owned by Mr. Li, Alan, an executive director and chief executive officer of the Company.

4. Pairing Venture Limited is directly and wholly owned by Mr. Li, Alan, an executive director and chief executive officer of the Company.

5. EBOD is owned as to 11.59% by Magicgrand, as to 8.13% by Snow Hill Developments Limited and as to 80.28% by other third parties. The number of Shares held by EBOD as disclosed in the table includes the Shares owned by two wholly owned subsidiaries of EBOD.

6. On 10 June 2013, the Company issued convertible bonds in the principal amount of HK$1,160,447,750 to various parties including CMNEG, China Green Holdings Limited, Sino Arena Investments Limited, Pairing Venture Limited and Magicgrand Group Limited to satisfy part of the consideration of an acquisition pursuant to a sale and purchase agreement dated 22 November 2012. As at the Latest Practicable Date, the outstanding principal amount of such convertible bonds of HK$847,964,000 is convertible into a total of 847,964,000 Shares at the current conversion price of HK$1.00 per Share.

7. On 14 November 2013, the Company issued a consolidated series of convertible bonds in the principal amount of US$120,000,000 to various parties pursuant to two subscription agreements dated 27 September 2013 and 16 October 2013 respectively. As at the Latest Practicable Date, the outstanding principal amount of such convertible bonds of US$120,000,000 is convertible into a total of 581,250,000 Shares at the current conversion price of HK$1.60 per Share.

8. On 27 December 2013, the Company issued convertible bonds in the principal amount of HK$232,959,339 pursuant to a subscription agreement dated 13 September 2013. As at the Latest Practicable Date, the outstanding principal amount of such convertible bonds of HK$232,959,339 is convertible into a total of 145,599,586 Shares at the current conversion price of HK$1.60 per Share.

9. The shareholding structures are shown for illustration purposes only. As mentioned in the paragraph headed "**Conversion Rights of the Bondholders and the Mandatory Conversion**" under the section headed "**C. CB Issue — Principal terms of the Convertible Bonds**" in the Letter from the Board of this circular, Bondholders are entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period, provided that exercise of Conversion Rights will not result in, among other things, a change of control (within the meaning of the Hong Kong Code on Takeovers and Mergers).

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition together with the grant of the CM Yinke Put Option by the Company exceed 5% but are less than 25%, the Acquisition and the grant of the CM Yinke Put Option constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. In addition, as CM Trenda is an indirect wholly owned subsidiary of EBOD, which was in turn an associate of CMNEG, a substantial shareholder of the Company, as at the date of the Equity Transfer Agreement, CM Trenda is a connected person of the Company under the Listing Rules. Also, as CM Yinke is an indirect non-wholly owned subsidiary of China

Merchants; China Merchants is a holding company of CMNEG; and CM Yinke and CMNEG are fellow subsidiaries, CM Yinke is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the grant of the CM Yinke Put Option by the Company constitute connected transactions of the Company. As the applicable percentage ratios in respect of the Acquisition and the grant of the CM Yinke Put Option exceed 5% and the total consideration exceeds HK$10,000,000, the Acquisition and the grant of the CM Yinke Put Option by the Company are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The formation of the Joint Venture also constitutes a connected transaction of the Company which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As CM Fund is a 30%-controlled company of China Merchants, and CMNEG, a substantial shareholder of the Company, is a non-wholly owned subsidiary of China Merchants, CM Fund is an associate of CMNEG, and hence a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Mr. Li, Alan, Mr. Lu Zhenwei and Mr. Yang Baiqian abstained from voting on the relevant Board resolutions to approve each of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement and the Subscription Agreement.

SGM

A notice convening the SGM to be held at 3:00 p.m. on Tuesday, 17 March 2015 at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-5 of this circular. Ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement and the Subscription Agreement and the respective transactions contemplated thereunder.

As CMNEG is a non-wholly owned subsidiary of China Merchants, CMNEG and its associates, which together hold in aggregate 670,649,686 Shares as at the Latest Practicable Date, are regarded as having a material interest in the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement and the Subscription Agreement and are therefore required to abstain from voting on the resolutions proposed to be passed at the SGM for approving the Transactions and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Company has established the Independent Board Committee to advise the Independent Shareholders on the terms and conditions of the Equity Transfer Agreement, the Acquisition, the Options Agreement, the CM Yinke Put Option, the JV Formation Agreement, the formation of the Joint Venture, the Subscription Agreement and the CB Issue and the respective transactions contemplated thereunder and to give recommendations to the Independent Shareholders as to voting in respect of the resolutions to be proposed at the SGM to approve the Transactions, taking into account the advice from the Independent Financial Adviser.

The Board (including the members of the Independent Board Committee, who have taken into account the advice of the Independent Financial Adviser) considers that the Company entered into the Equity Transfer Agreement, the Options Agreement the JV Formation Agreement and the Subscription Agreement in its ordinary course of business and that the terms of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the transactions contemplated thereunder are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions for approving the Transactions 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-5, which form part of this circular.

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

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

* *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)

27 February 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF 51% OF THE EQUITY INTEREST OF CHANGZHOU GUANGYU NEW ENERGY COMPANY LIMITED AND GRANT OF OPTIONS OVER 49% OF THE EQUITY INTEREST OF SUCH COMPANY UNDER SPECIFIC MANDATE
(2) FORMATION OF JOINT VENTURE
(3) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF UP TO HK$529,000,000 7.5% SECURED CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 27 February 2015 issued by the Company to its shareholders (the "**Circular**"), of which this letter forms part. Unless otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, entering into the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee have any direct or indirect interest in the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement and the Subscription Agreement.

In addition, Goldin Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription

Agreement and the respective transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 37 to 72 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 9 to 34 of the Circular and the general information set out in the Circular.

Having considered the terms of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the advice of Goldin Financial Limited, we are of the opinion that the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions for approving the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the respective transactions contemplated thereunder to be proposed in the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

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

Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the respective transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

27 February 2015

To: the Independent Board Committee and the Independent Shareholders of United Photovoltaic Group Limited

Dear Sirs,

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF 51% OF THE EQUITY INTEREST OF CHANGZHOU GUANGYU NEW ENERGY COMPANY LIMITED AND GRANT OF OPTIONS OVER 49% OF THE EQUITY INTEREST OF SUCH COMPANY UNDER SPECIFIC MANDATE (2) FORMATION OF JOINT VENTURE (3) CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF UP TO HK$529,000,000 7.5% SECURED CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 27 February 2015 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 January 2015 (after trading hours), UP (Changzhou), a wholly owned subsidiary of the Company, CM Yinke and CM Trenda entered into the Equity Transfer Agreement, pursuant to which CM Trenda conditionally agreed to sell, and UP (Changzhou) and CM Yinke conditionally agreed to purchase, 51% and 49% of the equity interests in the Target Company for cash considerations of RMB21,711,440 (equivalent to approximately HK$27,356,414) and RMB20,860,011 (equivalent to approximately HK$26,283,614) respectively.

On 23 January 2015 (after trading hours), the Company, CM Yinke and UP (Changzhou), entered into the Options Agreement, pursuant to which (i) the Company conditionally agreed to grant CM Yinke the CM Yinke Put Option whereby CM Yinke could request the Company to acquire part or all of the 49% Equity Interest; and (ii) CM Yinke conditionally agreed to grant the Company the Company Call Option whereby the Company could request CM Yinke to sell to the Company all of the 49% Equity Interest.

On 23 January 2015 (after trading hours), the Company and CM Fund entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and CM Fund conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of up to HK$529,000,000.

On 9 February 2015 (after trading hours), UP (Changzhou) and CM Yinke entered into the JV Formation Agreement whereby the parties agreed to enter into the JV Contract and the New Articles for the formation of the Joint Venture upon the Acquisition Completion.

As the applicable percentage ratios in respect of the Acquisition together with the grant of the CM Yinke Put Option by the Company exceed 5% but are less than 25%, the Acquisition and the grant of the CM Yinke Put Option constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. In addition, as CM Trenda is an indirect wholly owned subsidiary of EBOD, which was in turn an associate of CMNEG, a substantial shareholder of the Company, as at the date of the Equity Transfer Agreement, CM Trenda is a connected person of the Company under the Listing Rules. Also, as CM Yinke is an indirect non-wholly owned subsidiary of China Merchants; China Merchants is a holding company of CMNEG; and CM Yinke and CMNEG are fellow subsidiaries, CM Yinke is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the grant of the CM Yinke Put Option by the Company constitute connected transactions of the Company. As the applicable percentage ratios in respect of the Acquisition and the grant of the CM Yinke Put Option exceed 5% and the total consideration exceeds HK$10,000,000, the Acquisition and the grant of the CM Yinke Put Option by the Company are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The formation of the Joint Venture also constitutes a connected transaction of the Company which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As CM Fund is a 30%-controlled company of China Merchants, and CMNEG, a substantial shareholder of the Company, is a non-wholly owned subsidiary of China Merchants, CM Fund is an associate of CMNEG, and hence a connected person of the Company. The Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising four independent non-executive Directors namely, Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing has been formed to advise the Independent Shareholders as to whether the terms of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote taking into account the advice of the Independent Financial Adviser.

We, Goldin Financial Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the transactions contemplated thereunder and to make recommendations as to, among others, whether the terms of the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and as to voting in respect of the resolution at the SGM. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In arriving at our opinions and recommendations, we have reviewed, *inter alia*, the announcements of the Company dated 17 December 2014, 16 January 2015, 25 January 2015 and 9 February 2015 in relation to the Transactions respectively, the Circular, the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement, the Subscription Agreement, the annual report of the Company for the year ended 31 December 2013 (the "Annual Report 2013") and the interim report of the Company for the six months ended 30 June 2014 (the "Interim Report 2014"). We have also reviewed certain information provided by the management of the Company in relation to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and that we have reviewed, all currently available information and documents under recent circumstances to enable us to reach an informed view regarding the terms of and the reasons for entering into the transactions contemplated under the Equity Transfer Agreement, the Options Agreement, the JV Formation Agreement and the Subscription Agreement, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information have/has been withheld by the Directors or management of the Company or are/is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses, affairs or future prospects of the Company. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

A. THE ACQUISITION, THE GRANT OF OPTIONS AND FORMATION OF JOINT VENTURE

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Options Agreement and the JV Formation Agreement, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in businesses in development, investment, operation and management of solar power plants.

Set out below is the financial information of the Group for the two years ended 31 December 2012 and 2013 as extracted from the Annual Report 2013, and the financial information of the Group for the six months ended 30 June 2013 and 2014 as extracted from the Interim Report 2014:

Table 1: Financial highlights of the Group

	For the year ended 31 December		**For the six months ended 30 June**	
	2012	**2013**	**2013**	**2014**
	HK$'000 (audited)		*HK$'000 (unaudited)*	
Revenue	223,269	337,578	156,746	238,014
— Solar power plants	—	39,529	177	160,909
— Solar cells	213,269	298,049	156,569	77,105
— Corporate Function	10,000	—	—	—
Gross profit/(loss)	(66,537)	(74,063)	(17,409)	48,139
Segment (loss)/profit	(736,855)	(2,352,071)	(1,025,604)	420,773
— Solar power plants	—	(2,228,904)	(1,012,497)	674,081
— Solar cells	(736,855)	(123,167)	(13,107)	(253,308)
Profit/(Loss) for the year/period	(814,801)	(2,305,460)	(912,788)	395,411
— Owners of the Company	(814,801)	(2,304,986)	(912,748)	391,976
— Non-controlling interest	—	(474)	(40)	3,435

	As at 31 December		As at 30 June
	2012	2013	2014
	HK$'000		*HK$'000*
	(audited)		*(unaudited)*
Non-current assets	1,267,616	5,251,837	8,768,054
Current assets	337,811	739,026	1,126,967
Non-current liabilities	(794,004)	(3,801,056)	(3,066,301)
Current liabilities	(587,451)	(1,739,886)	(4,926,624)
Net current liabilities	(249,640)	(1,000,860)	(3,799,657)

For the year ended 31 December 2013, the total revenue of the Group increased from approximately HK$223.27 million for the year ended 31 December 2012 to approximately HK$337.58 million, representing an increase of approximately 51.19%. According to the Annual Report 2013, the increase in revenue was mainly due to (i) the acquisition of China Solar Power Group Limited ("CSPG", formerly known as China Merchants New Energy Holdings Limited) which provided the Group with a new source of income derived from the sales of electricity generated by the solar power plants; (ii) increase in the overseas sales of polysilicon solar cells; and (iii) the appreciation of RMB for the year ended 31 December 2013.

As mentioned on the above, following the completion of the acquisition of CSPG in June 2013, the Group had two operating segments for the year ended 31 December 2013, namely (i) development, investment, operation and management of solar power plants segment; and (ii) manufacturing and sales of solar cells segment. Revenue derived from solar cells segment increased from approximately HK$213.27 million for the year ended 31 December 2012 to approximately HK$298.05 million for the year ended 31 December 2013, representing an increase of approximately 39.75%. As shown in the Annual Report 2013, the increase was mainly due to (i) the increase in the overseas sales and the selling prices of the products sold overseas which were generally higher than those sold domestically; (ii) the introduction of new customers, sales to such new customers accounted for 37% of the segment revenue for the year ended 31 December 2013; and (iii) the appreciation of RMB for the year ended 31 December 2013. For the revenue from the solar power plants segment for the year ended 31 December 2013, it mainly represented the revenue generated from the four solar power plants located in Shenzhen, Quanzhou, Jiayuguan, and Gonghe respectively.

In addition, the loss attributable to the owners of the Company increased from approximately HK$814.80 million for the year ended 31 December 2012 to approximately HK$2,304.99 million for the year ended 31 December 2013. As shown in the Annual Report 2013, the increase in loss was mainly due to (i) immediate impairment of goodwill of approximately HK$1,205.02 million arising from the acquisition of CSPG; (ii) fair value loss on put option of approximately HK$163.78 million arising from acquisition of 50% equity interest in Fengxian Huize Photovoltaic

Energy Limited; (iii) the impairment of concession rights of approximately HK$819.15 million; and (iv) the finance costs, net of approximately HK$173.51 million in relation to convertible notes and bank borrowings.

Total asset less current liabilities increased from approximately HK$1,017.98 million as at 31 December 2012 to approximately HK$4,250.98 million as at 31 December 2013.

For the six months ended 30 June 2014, the total revenue of the Group increased from approximately HK$156.75 million for the six months ended 30 June 2013 to approximately HK$238.01 million, representing an increase of approximately 51.84%. As shown in the Interim Report 2014, the increase in revenue was mainly attributable to the sales of electricity generated by the solar power plants.

Moreover, for the revenue from the solar power plants segment, it increased from approximately HK$0.18 million as at 30 June 2013 to approximately HK$160.91 million as at 30 June 2014. As advised by the management of the Company, the increase was mainly attributable to the generation of electricity, as a result of the acquisitions of solar power plants for the six months ended 30 June 2014. Besides, for the revenue from solar cells segment, it decreased from approximately HK$156.57 million as at 30 June 2013 to approximately HK$77.11 million as at 30 June 2014, representing a decrease of approximately 50.75%. As advised by the management of the Company, the decrease was mainly attributed to an impairment charge on property, plant and equipment of approximately HK$214.1 million due to diminishing demand as a result of keen competition.

As regards the profit/loss attributable to the owners of the Company, there was a turnaround from a loss of approximately HK$912.75 million for the six months ended 30 June 2013 to a profit of approximately HK$391.98 million for the six months ended 30 June 2014. As shown in the Interim Report 2014, the improvement in results was mainly attributable to (i) the increase in the sales of electricity of approximately HK$160.91 million; (ii) the gains from revaluation of certain financial instruments which are non-cash in nature of approximately HK$741.22 million; (iii) the one-off impairment charge on goodwill of approximately HK$1,205.02 million and the fair value gain on previously held interest in CSPG of approximately HK$197.90 million recognised in the Interim Report 2014 were no longer applicable for the six months ended 30 June 2014; while offsetting the impact of (iv) the impairment charge on property, plant and equipment recognised for the solar cells segment of approximately HK$214.12 million as a result of the deterioration in operating results of the solar cells.

Total assets less current liabilities increased from approximately HK$4,250.98 million as at 31 December 2013 to approximately HK$4,968.40 million as at 30 June 2014, representing an increase of approximately 16.88%.

2. Business and financial information of the Target Group

The Target Company is a company with limited liability established under the laws of the PRC and is a wholly owned subsidiary of CM Trenda, which wholly owns the Hami Project Company and the Turpan Project Company.

The Target Group comprises the Target Company and the Project Companies, where the Target Company owns the entire equity interest in the Project Companies. The Target Group is principally engaged in developing and operating solar power plants. Each of the Project Companies owns two solar power plant projects respectively in Hami City and Turpan City, Xinjiang, the PRC. The four solar power plants have an approximate aggregate installed capacity of 80 MW and have achieved on-grid connection. As of 31 October 2014, electricity of approximately 67,305,000 KWh had been generated by the four plants since the achievement of on-grid connection of 3 solar power plants in late 2013 and the last one in late 2014.

The electricity generated by the solar power plants is sold to State Grid Xinjiang Electric Power Corporation* (國網新疆電力公司). The major supplier of the Target Group is an EPC Contractor. The major assets of the Target Group mainly comprise photovoltaic solar modules, inverters and other equipment for electricity generation and its major liabilities are the payables to an EPC contractor and long-term bank borrowings.

The Target Group has incurred capital expenditure, mainly as development and construction costs, which amounts to approximately RMB694.5 million and such liabilities will be settled by utilising the funds available to the Target Group under the Capital Increase after the Acquisition. The Target Group did not have other capital commitment as at the Latest Practicable Date.

Based on the unaudited financial information of the Target Group, the Target Group recorded a loss after tax of approximately RMB307,000 and approximately RMB348,000 for the two years ended 31 December 2012 and 31 December 2013, respectively. The unaudited net assets of the Target Group as at 31 October 2014 was approximately RMB40.59 million.

3. Reasons for and benefits of entering into the Equity Transfer Agreement, the Options Agreement and the JV Formation Agreement

The Company is an investment holding company and its subsidiaries are principally engaged in businesses in the solar energy industry. Since completion of the acquisition of certain companies engaged in the development, investment, operation and management of solar power plants in mid 2013, the Group has been expanding its solar power plants business in the PRC through various acquisitions and development of solar power plant projects. As at 31 December 2014, the Group and the associates of the Company had 15 solar power plants with an aggregated installed capacity of approximately 572 MW (including the acquisition of a project company owning a solar power plant with the aggregate installed capacity of 65 MW which is subject to completion of the definitive agreement), covering Gansu, Qinghai, Fujian, Jiangsu, Guangdong and Inner Mongolia, all of which have been grid connected and generating electricity. It has been the intention of the Company to further increase its installed capacity, subject to the identification of suitable solar power plant projects and funding requirements. On 16 January 2015, the Group has entered into a definitive agreement in relation to the acquisition of an on-grid connected solar power plant with an aggregate installed capacity of 20 MW and a solar power plant with an aggregate designed capacity of approximately 30 MW. Upon completion of the acquisition of the Target Group with four solar power plant projects with an aggregate installed capacity of 80 MW, and assuming completion of the aforesaid definitive agreements, the Group and the associates of the Company would have solar power plants with aggregate installed capacity of approximately 672 MW (excluding the solar power plant with an aggregate designed capacity of approximately 30 MW), which represented a significant step towards its expansion in its solar power plant business.

According to the Interim Report 2014, the revenue derived from the solar power plants segment amounted to HK$161 million, representing an increase of approximately 90,809.0% while the revenue derived from the sales of solar cell amounted to HK$77 million, representing a decrease of approximately 50.8% as compared to the corresponding period for the prior year. As evidenced with the promising performance in the first half of 2014, the Group is optimistic about the prospect of the solar power plant industry in the PRC and considers that the solar power plant business will be the primary contributor and the key business segment to the Group. To enable the Group to focus its resources on the operation and investment in the solar power plants, on the other hand, the Group has carried out the disposal of its 70% interests in the business of sale and manufacturing of solar silicon cells, completion of which was taken place in October 2014.

In assessing the solar energy industry, in particular, the solar power plants business, we have conducted research from the public domain. According to the report "Trends 2014 in Photovoltaic Application" published in October 2014 by International Energy Agency Photovoltaic Power Systems Programme, which was established in 1993 with participating members of 29 countries to conduct joint projects in the application of photovoltaic conversion of solar energy into electricity, it is noted that approximately 39.9 GW of photovoltaic systems were installed globally in 2013, representing an increase of not less than 35% as compared to 2012 of 29.3 GW. China, being ranked as the first global market in 2013, contributed a total of approximately 12.9 GW out of such 39.9 GW, which also achieved the world's largest photovoltaic figure in one year. In view of the rapid development of photovoltaic market, the fastest photovoltaic growth is expected to continue in China for the coming years.

In most countries, including the PRC, photovoltaic industry remains a policy-driven market and is heavily impacted by the introduction of national supportive schemes. With reference to the "國務院關於促進光伏產業健康發展的若干意見" (Opinions from the National Council regarding the promotion of healthy development of photovoltaic industry*) issued by the National Council in June 2013, the PRC government aimed to boost up the growth of the photovoltaic industry through setting up various guidelines and launching supportive schemes and policies, including but not limited to the feed-in tariff subsidising and preferential tax policies, assistance to the solar power plants construction with the guarantee of high utilisation of such photovoltaic electricity and the financial supporting measures such as the provision of credit lines to corporation with good reputation and the promotion and improvement in the management of allowance for supporting the corporations operating solar power plants and distributed photovoltaic power generation. Last but not least, based on the "國家發展改革委關於發揮價格槓桿作用促進光伏產業健康發展的通知" (Notice on Leveraging the Price for the Development of the Solar Energy Industry*) released by the National Development and Reform Commission of China in August 2013, a subsidising policy for distributed solar photovoltaics power plants was launched, all of which are expected to incentivise the development of the photovoltaic industry of the PRC in all aspects. It is also noted that the PRC government has revised the solar installation target to 35 GW by 2015, with an estimated increase of 10 GW per each year from 2013 to 2015. With the encouraging national policies and supportive measures carried out by the PRC government, it is expected that the photovoltaic electricity in the PRC would become more popular thereby driving the local demand of photovoltaic electricity, and that the costs for photovoltaic products would decline resulting in lower installation costs for solar power plants, which are both beneficial to the solar power plant business of the Group.

Furthermore, the joint acquisition of the entire equity interest in the Target Company with CM Yinke, whereby the Company would acquire 51% equity interest in the Target Company and CM Yinke would acquire the remaining 49% equity interest, would allow the Company to obtain a controlling stake over the Target Company, enabling the Group to enjoy the potential consolidated profit from the operation of the solar power plants of the Target Group while lowering the immediate cash outflow required on the part of the Company for the consideration under the Acquisition. The lower cash outflow, together with the CB Issue subject to the fulfilment of conditions precedent thereto, are expected to maintain the financial flexibility of the Group for financing the capital expenditure of the Target Group and general working capital purposes. With the proposed future acquisition arrangement through entering into the Options Agreement, the Company could acquire the remaining part or all of the 49% Equity Interest owned by CM Yinke by exercising the Company Call Option, or upon the exercise of CM Yinke Put Option by CM Yinke at any time during the Put Option Period by the allotment and issue of the Consideration Shares, which would ascertain the future acquisition of 49% Equity Interest by the Group in a long-term plan without any cash out-flows. The issue of the Consideration Shares, if the proposed future acquisition materialises, would eventually increase the Company's shareholding of CM Yinke, being an indirect non wholly-owned subsidiary of China Merchants, the substantial Shareholder, representing a strategic increase in its investment in the Company. Considering the extensive asset management experience, management systems and the strong financial base of China Merchants, the entering into of the Options Agreement and the exercise of CM Yinke Put Option would facilitate the expansion of the new energy business of the Company with the operational and financial support from the substantial Shareholder such as (i) cooperation on the development of solar power plant projects by leveraging on the existing network and resources of certain associates of China Merchants; (ii) provision of rooftops for construction of distributed solar power plants; and (iii) provision of financing for the Group's expansion of its solar power business, which is beneficial to the Group.

Upon the Acquisition Completion, the Target Company will become a joint venture between UP (Changzhou) and CM Yinke in the respective shareholding of 51% and 49%. Taking into account that it is necessary to set out the details on how the Target Company should be managed, the parties' respective rights and obligations as shareholders and the manner in which the affairs of the Target Company are to be conducted upon the Acquisition Completion, we consider that the entering into of the JV Formation Agreement and the transactions contemplated thereunder (including the JV Contract and the New Articles) could settle the terms and conditions under the Joint Venture in respect of the Target Company upon Acquisition Completion and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After taking into account that (i) the Acquisition which allows the Group to further increase its investment in the solar power plant business in the PRC is in line with the business development of the Group; (ii) the prospect of solar photovoltaic electricity industry in the PRC would be optimistic as supported by various national schemes and policies; (iii) the solar power plant business of the Group would be benefited from the growing demand for the photovoltaic electricity in the PRC and the lower installation costs for solar power plants; (iv) the Acquisition would allow the Company to obtain a controlling stake over the Target Company while lowering the immediate cash outflow required on the part of the Company for the consideration; (v) the entering into of the Options Agreement and the exercise of CM Yinke Put Option would facilitate the further expansion of the new energy business of the Company and at the same time increase the Company's shareholding of the substantial Shareholder; and (vi) the entering into of the JV Formation Agreement and the transactions contemplated thereunder (including the JV Contract and the New Articles) could settle the terms and conditions under the Joint Venture in respect of the Target Company upon Acquisition Completion, we concur with the Directors' view that the entering into of the Equity Transfer Agreement, the Options Agreement and the JV Formation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Equity Transfer Agreement, the Options Agreement and JV Formation Agreement

4.1 *Principal terms of the Equity Transfer Agreement*

The consideration for the Sale Equity is RMB21,711,440 (equivalent to approximately HK$27,356,414), payable by UP (Changzhou) in cash.

50% of the consideration for the Sale Equity will be paid within ten business days after satisfaction of the Acquisition Conditions set out in items (a) to (g) in the paragraph headed "**Conditions of the Acquisition**" under the section headed "**A. The Acquisition and the grant of Options — The Equity Transfer Agreement**" in the Letter from the

Board and the remaining balance 50% of the consideration will be paid within ten business days after satisfaction of the Acquisition Condition set out in item (h) in the paragraph headed "**Condition of the Acquisition**" under the section headed "**A. The Acquisition and the grant of Options — The Equity Transfer Agreement**" in the Letter from the Board.

Subject to the Acquisition Completion taking place, UP (Changzhou) and CM Yinke have agreed to contribute RMB364,358,560 (equivalent to approximately HK$459,091,786) and RMB350,069,989 (equivalent to approximately HK$441,088,186), respectively, as additional registered capital to the Target Company based on their respective shareholdings in the Target Company after completion of their acquisitions in accordance with the Equity Transfer Agreement. Such additional registered capital of the Target Company to be contributed by UP (Changzhou) and CM Yinke under the Capital Increase will be utilised to settle the outstanding debts of the Target Group.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties taking into consideration the unaudited consolidated net asset value of the Target Group as at 31 October 2014.

According to the Valuation Report prepared by the Independent Valuer, the summary of which is contained in Appendix I to the Circular, the appraised fair value of the business enterprise of the Target Group as at 31 October 2014 was approximately RMB926.00 million (equivalent to approximately HK$1,166.76 million). Based on the Valuation Report, the business enterprise is defined as the total invested capital, which is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business. As such, the adjusted net assets of the Target Group as at 31 October 2014, which is derived based on the business enterprise value of the Target Group of approximately RMB926.00 million net of the total liabilities of the Target Group of approximately RMB810.86 million as at 31 October 2014, was approximately RMB115.14 million. The consideration for the Sale Equity therefore represents a discount of approximately 63.03% to the adjusted net assets attributable to 51% interests of the Target Group of approximately RMB58.72 million.

For our due diligence purpose, we have reviewed the Independent Valuer's qualification and experience in relation to the performance of the valuation of the Target Group based on the information available. We noted that the Independent Valuer has experience in performing valuation services for numerous sizeable enterprises covering a wide range of industries in the PRC. The Independent Valuer confirmed that it is an independent third party to the Company. The Independent Valuer also confirmed that all relevant material information provided by the Company had been incorporated in the Valuation Report. In addition, we have also reviewed the terms of the Independent Valuer's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report. Based on the above, we are of the view that the scope of work of the Independent Valuer is appropriate and the Independent Valuer is qualified to perform the valuation of the Target Group.

We were given to understand that during the course in performing the valuation of the Target Group, the Independent Valuer has implemented the following steps to formulate the basis and assumptions adopted for the valuation, including but not limited to: (i) discussed with the management of the Company as to the purpose and the required scope of valuation; (ii) obtained all relevant business plan and prospective financial information of the Target Group and analysed the operation as well as revenue generating capability of the Target Group; and (iii) formulated and examined the valuation methodologies and all relevant basis and assumptions related to the Target Group based on all relevant information and analyses.

To determine the enterprise value of the Target Group, we were given to understand that, of the three commonly adopted valuation approaches considered, namely the income approach, market approach and cost approach, the Independent Valuer has adopted the income approach which is based on discounted cash flow ("DCF") methodology. Based on our understanding from the Independent Valuer, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business and thus this method is not utilised in the Valuation Report. According to the Independent Valuer, the market approach is considered to be inappropriate for the valuation. Although the Independent Valuer is unable to identify pure play public listed companies with major business focusing on solar power plants in China and thus, the Independent Valuer cannot devise appropriate price multiples from public listed companies for the Target Group. The Independent Valuer considered that the income approach to be the most appropriate for the valuation. Income approach explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. Having considered the respective downsides of the market approach and the cost approach, we are of the view that the income approach is the preferred approach for the valuation of the Target Group.

In using DCF method, we were given to understand that the Independent Valuer relied on the financial projections prepared by the management of the Company and the discount rate calculated by using capital asset pricing model ("CAPM").

With respect to the cash flow projections used in the model, we noted that the revenue is derived by the multiplication of electricity tariff and power generated by photovoltaic plants over a period of 25 years. The estimated power generation outputs based on the guaranteed electricity output from the original shareholder of the Target

Company and after adjustment on loss due to fault of electricity wire and equipment assumed by the management of the Company are 1,588 MWh/MWp and 1,519 MWh/MWp respectively. We were given to understand such rates are lower than the average conversion factors from the feasibility studies of the two solar power plant with total capacity of 40 MW ("Project Hami") of Hami Project Company and a 20 MW solar power plant for phase one ("Project Turpan Phase I") of Turpan Project Company of 1,690 MWh/MWp and 1,540 MWh/MWp respectively. Regarding the electricity tariff, tariff of RMB1.0/kWh is adopted to Project Hami and Project Turpan Phase I as on-grid approval were obtained in late 2013, while tariff of RMB0.95/kWh is adopted to a 20 MW solar power plant for phase II ("Project Turpan Phase II") of Turpan Project Company given on-grid approval was obtained in September 2014. We have reviewed the relevant tariff scheme as announced by National Development and Reform Commission in respect of the tariff policy for ground projects and noted that such adoption of tariff is consistent to the tariff scheme. According to "光伏製造行業規範條件" (Photovoltaic Manufacturing Industry Regulatory Condition*) as published by the Ministry of Industry and Information Technology of the PRC, it is expected that economic useful life of photovoltaic equipment should not be less than 25 years. Having considered the abovementioned, we are of the view that it is fair and reasonable for the Independent Valuer to derive the expected future cash flow of the Target Company based on the aforesaid determinants.

Operating expenses consist of the cash operating expenses and depreciation expense. Cash operating expenses include maintenance fee, labor cost, material costs, insurance charges and other related expenses. In determining the cash operating expenses, the management of the Company considered the capacity of the solar power plant with an expected annual growth rate of 3%, which is based on long-term inflation rate of the PRC and referred to the historical operating statistics of the Company's other solar power plants operating in Xuzhou, Jiayuguan and Gonghe. Other expense items are principally interest expenses, with estimated cost of borrowing of 6.55% per annum with reference to the existing long-term best lending rate in China and tax expenses which will be charged with 12.5% income tax rate from the fourth and sixth years to which operational revenue earned, and a normal income tax rate of 25% from the seventh year and onward given government approved solar power generation projects are one of the projects that can enjoy the preferential tax treatment.

With respect to the discount rate in the model, we were given to understand that the CAPM has been used in determining the discount rate, being the risk-free rate plus a linear function of a measure of systematic risk ("Beta") times equity market premium plus a project specific risk premium. Based on our discussion with the Independent Valuer, it is noted that the risk free rate is based on the yield of the Chinese government 25-year bond, which was 4.17% as at the date of the valuation of the Target Group. According to the Independent Valuer, the Beta, being a measure of the relationship between industry risk and the aggregate market, was determined after considering comparable companies identified by the Independent Valuer on its best-effort and unbiased selection basis, which gives an exhaustive list. We noted that all comparable companies are public companies listed in Hong Kong with principal place of operation in the PRC which involve in the photovoltaic value chain or renewable energy business holding solar power plants and/or having solar power projects pipeline, or are operating thermal-based power plants in China which are direct competitors as electricity supplier to end customers of the Target Group, which we consider the selection criteria is reasonable and the sample list is fair and representative. Of the various risk premiums, the equity risk premium is determined with reference to the volatility of local market index in relation to the S&P500 while the project specific risk premium is nil given the solar power plants are developed and in operation and therefore no construction risks due to the stage of development of the project should be considered. As such, we are of the view that the discount rate, as determined by the Independent Valuer after taking into account the aforesaid determinants, as well as referencing with the market research on the global required return commonly applied to photovoltaic power plant generators and the minimum rate of return required by the Company for actual transactions entered into by the Company and its subsidiaries with business partners, is fair and reasonable.

During the course of our discussions with the Independent Valuer and after reviewing the data and the calculation work provided by the Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the methodology, principal bases and assumptions used in arriving the valuation. Having considered the above, we are of the view that the principal basis, valuation methods and assumptions adopted for the valuation of the Target Group are fair, reasonable and complete and hence the reliability of the Valuation Report.

Having considered that the consideration for the Sale Equity therefore represents a discount of approximately 63.03% to the 51% interests of the Target Group of approximately RMB58.72 million as implied by its adjusted net assets taking into account the Valuation Report, we are of the view that the terms of the consideration for the Acquisition are normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Pursuant to the Equity Transfer Agreement, subject to the Acquisition Completion taking place, UP (Changzhou) and CM Yinke agreed to increase the registered capital of the Target Company based on their respective shareholdings in the Target Company after completion of their acquisitions in accordance with the Equity Transfer Agreement. Having considered that the capital contribution to be made by UP (Changzhou) and CM Yinke will be in proportional to their respective shareholdings in the Target Company and such additional registered capital will be utilised to settle the outstanding debts of the Target Group, we are of the view that the capital commitment under the Equity Transfer Agreement is fair and reasonable.

4.2 *Principal terms of the Options Agreement*

Pursuant to the Options Agreement, the Company conditionally agreed to grant CM Yinke the CM Yinke Put Option. Subject to the satisfaction of the Options Conditions, details of which are set out in the Letter from the Board, CM Yinke may exercise the CM Yinke Put Option at any time during the Option Period to require the Company to acquire part or all of the 49% Equity Interest from CM Yinke at the Agreed Option Price.

(i) *Agreed Option Price*

The Agreed Option Price shall be determined according to the following formula:

$$\frac{(A+B-C) \text{ x } D}{E}$$

Where:

"A" refers to the consideration paid by CM Yinke for the 49% Equity Interest pursuant to the Equity Transfer Agreement, plus or minus any increase or reduction (as the case may be) in capital contributed by CM Yinke to the Target Company during its holding of the 49% Equity Interest.

"B" refers to the premium over the 49% Equity Interest, which is derived as follows:

A x interest rate of 7.5% per annum x (the actual number of days between the completion of the acquisition of the 49% Equity Interest pursuant to the Equity Transfer Agreement or Capital Increase (as the case may be) and the date on which the parties enter into an equity transfer agreement in relation to the 49% Equity Interest pursuant to the exercise of the CM Yinke Put Option or the Company Call Option (as the case may be), divided by 365).

"C" refers to any dividend paid to and received by CM Yinke from the Target Company.

"D" refers to the equity interest in the Target Company being transferred from CM Yinke to the Group.

"E" refers to the total equity interest in the Target Company held by CM Yinke.

Based on the consideration of RMB20,860,011 (equivalent to approximately HK$26,283,614) for CM Yinke to acquire the 49% Equity Interest, the commitment of CM Yinke to contribute RMB350,069,989 (equivalent to approximately

HK$441,088,186) under the Capital Increase and assuming that (i) either of the Options will only be exercised near the end of the three-year Option Period so that close to three years' interest at 7.5% per annum will be paid to CM Yinke as premium and (ii) no dividend will be paid by the Target Company during the Option Period of three years, the maximum Agreed Option Price of RMB454,389,250 (equivalent to approximately HK$572,530,455) is arrived at by application of the formula set out above as follows:

(RMB20,860,011 + RMB350,069,989) x (1 + 7.5% x 3) = RMB454,389,250

In assessing the fairness and reasonableness of the Agreed Option Price of the CM Yinke Put Option, we noted that the maximum Agreed Option Price was primarily determined based on the consideration paid by CM Yinke for the 49% Equity Interest pursuant to the Equity Transfer Agreement plus an additional amount which mainly comprises (i) any capital contributed by CM Yinke to the Target Group during its holding of the 49% Equity Interest; and (ii) the premium over the 49% Equity Interest as defined above, net of any dividend paid to and received by CM Yinke from the Target Company.

Taking into account the above and that the considerations for the 49% Equity Interest and the Sale Equity are proportional to each other and that the consideration for the Sale Equity is fair and reasonable as explained in the paragraphs under the section headed "4.1 Principal terms of the Equity Transfer Agreement above", we are of the view that the maximum Agreed Option Price and the determination basis thereof is fair and reasonable.

(ii) *Settlement by issue of Consideration Shares*

Pursuant to the Options Agreement, the Agreed Option Price shall be satisfied by the allotment and issue of Consideration Shares at the Issue Price of HK$1.03 per Share. Based on the formula set out in the section headed "4.2 Principal terms of the Options Agreement", the maximum Agreed Option Price is RMB454,389,250 (equivalent to approximately HK$572,530,455) and, based on the initial Issue Price of HK$1.03 per Share, a maximum number of 555,854,810 Consideration Shares, representing approximately 11.72% of the issued share capital of the Company as at the Latest Practicable Date, may be issued pursuant to the exercise of the CM Yinke Put Option.

The Issue Price of HK$1.03 per Share represents:

(a) a premium of approximately 1.98% over the closing price of HK$1.01 per Share as quoted on the Stock Exchange on 23 January 2015, being the date of the Subscription Agreement;

(b) a premium of approximately 2.79% over the closing price of HK$1.002 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 January 2015; and

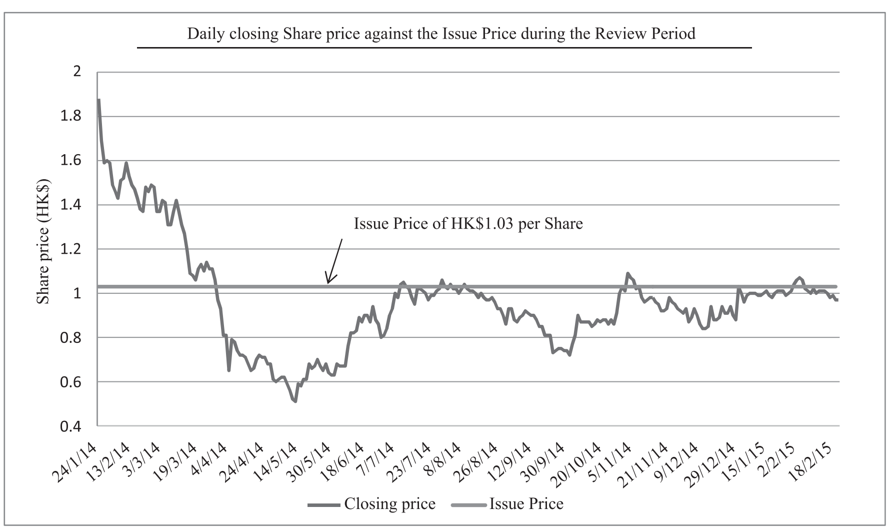
(c) a premium of approximately 6.19% over the closing price of HK$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The following analyses have been conducted to assess the fairness and reasonableness of the Issue Price and other terms of the Consideration Shares, which include reviews on the historical price and trading liquidity of the Shares and the comparison with other issues of considerations shares.

Historical Share price performance

Chart 1 below shows the daily closing price of the Shares versus the Issue Price for the period commencing from 23 January 2014, being the first trading day of the 12-month period prior to the date of the Options Agreement and the Subscription Agreement dated 23 January 2015 up to the Latest Practicable Date (the "Review Period").

Chart 1: Daily closing Share price performance against the Issue Price during the Review Period



Source: The official website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 23 January 2014

During the Review Period, the closing Share price was generally on a downward trend with the highest and lowest closing prices of the Shares being HK$1.88 and HK$0.51 respectively as quoted on the Stock Exchange. The average closing Share price during the Review Period was approximately HK$0.96. The Issue Price of HK$1.03 therefore represents (i) a discount of approximately 45.21% to the highest closing price of the Shares; (ii) a premium of approximately 101.96% over the lowest closing price of the Shares; and (iii) a premium of approximately 7.29% over the average closing price of the Shares during the Review Period.

Historical trading liquidity of the Shares

Table 2 below shows the monthly statistics on the trading volume of the Shares during the Review Period.

Table 2: Historical trading volume of the Shares

Month	**Total monthly trading volume** *(No. of Shares)*	**No. of trading days**	**Average daily trading volume** *(No. of Shares)*	**No. of outstanding Shares** *(No. of Shares)*	**Percentage of average daily trading volume to no. of outstanding Shares** *(Approximate %)*
2014					
January *(Note 2)*	957,530,660	20	68,486,983	3,948,782,575	1.73
February	855,464,495	19	45,024,447	3,948,782,575	1.14
March	983,130,659	21	46,815,746	3,948,782,575	1.19
April	1,395,726,505	20	69,786,325	3,948,782,575	1.77
May	967,101,424	20	48,355,071	3,948,782,575	1.22
June	1,375,530,966	20	68,776,548	4,331,266,325	1.59
July	1,007,725,078	22	45,805,685	4,331,266,325	1.06
August	661,224,206	21	31,486,867	4,331,266,325	0.73
September	758,056,811	21	36,097,943	4,361,266,325	0.83
October	1,456,570,763	21	69,360,513	4,361,266,325	1.59
November	606,694,502	20	30,334,725	4,361,266,325	0.70
December	664,182,192	21	31,627,723	4,361,266,325	0.73
2015					
January	557,826,006	21	26,563,143	4,361,266,325	0.61
February (Up to the Latest Practicable Date)	295,204,780	15	19,680,319	4,741,266,325	0.42

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Based on the number of outstanding Shares as at the end of each of the respective months and that as at the Latest Practicable Date for February 2015;

2. Figures for January 2014 were computed on a full-month basis;

3. Trading in the Shares was suspended on 23 January 2014.

As illustrated in table 2, the average daily trading volume of the Shares during the Review Period was generally thin, with a range of approximately 0.42% to 1.77% of the total number of Shares in issue as at the end of each month. The relatively low liquidity of the Shares may indicate the potential difficulties for the Company in pursuing other financing alternatives available in the market such as, placement of new Shares, in order to raise additional funds for the Company.

Comparison with other issues of consideration shares

In order to assess the fairness and reasonableness of Issue Price, we have researched on acquisition transactions announced by companies listed on the Stock Exchange which involve the issue of shares as all or part of the respective consideration (the "CS Comparables") during the last three months prior to and including 22 January 2015, being the last trading day before the date of the Options Agreement (the "CS Comparable Period"). We believe the abovementioned period adopted represents a reasonable and meaningful period to reflect the recent market condition and sentiment for conducting such activity. We have, to our best effort, identified and made references to, so far as we are aware, 27 CS Comparables which are exhaustive and the issuers/subscribers of which consist of connected person(s) (as defined in the Listing Rules) and/or independent third parties, both of which we consider appropriate prices that have been determined after arm's length negotiations between the relevant parties. Independent Shareholders should note that the CS Comparables could provide a general reference for the recent common market practice of listed companies in Hong Kong in issuing consideration shares under similar market conditions. Details of the CS Comparables are set out in table 3 below.

Table 3: A summary of the CS Comparables

Date of announcement	Company name	Stock code	Issue price premium over/ (discount to) the closing price on the last trading day prior to the agreement/date of agreement *(Approximate %)*	Issue price premium over/ (discount to) the average closing price for the last five trading days prior to and including the date of agreement *(Approximate %)*	Connected transaction (Y/N)
22/1/2015	Perfect Optronics Limited	8311	0.00	1.24	Y
22/1/2015	China Public Procurement Limited	1094	2.24	0.00	Y
13/1/2015	Capital Finance Holdings Limited	8239	(13.21)	(11.20)	N
12/1/2015	China Eco-Farming Limited	8166	5.26	5.60	N
12/1/2015	Wing Tai Investment Holdings Limited	876	(21.57)	(19.68)	N
30/12/2014	China Tycoon Beverage Holdings Limited	209	5.56	5.56	N
23/12/2014	Global Link Communications Holdings Limited	8060	0.00	3.14	N
23/12/2014	Peking University Resources (Holdings) Company Limited	618	(4.41)	(9.72)	N
16/12/2014	Active Group Holdings Limited	1096	(19.93)	(9.49)	N
12/12/2014	Trigiant Group Limited	1300	2.81	0.00	N
10/12/2014	Powerwell Pacific Holdings Limited	8265	(18.92)	(17.81)	N
8/12/2014	China Resources Land Limited	1109	(7.62) [1]	(2.49) [1]	Y
5/12/2014	Loudong General Nice Resources (China) Holdings Limited	988	(9.09)	(7.75)	N
2/12/2014	Crosby Capital Limited	8088	(5.66)	(4.82)	N
25/11/2014	Zebra Strategic Holdings Limited	8260	(15.59)	(11.33)	N
17/11/2014	AGTech Holdings Limited	8279	29.80	28.20	N
13/11/2014	Zhuguang Holdings Group Company Limited	1176	1.75	1.99	Y
11/11/2014	Green Energy Group Limited	979	(6.98)	(5.88)	N
7/11/2014	Golden Meditech Holdings Limited	801	1.61	(1.72)	N

Date of announcement	Company name	Stock code	Issue price premium over/ (discount to) the closing price on the last trading day prior to the agreement/date of agreement *(Approximate %)*	Issue price premium over/ (discount to) the average closing price for the last five trading days prior to and including the date of agreement *(Approximate %)*	Connected transaction (Y/N)
7/11/2014	Huiyin Household Appliances (Holdings) Co., Ltd.	1280	(7.35)	(10.23)	N
4/11/2014	Rising Development Holdings Limited	1004	(45.40)	(44.60)	N
3/11/2014	Longfor Properties Co. Ltd.	960	(3.34) [1]	0.00	Y
3/11/2014	CNC Holdings Limited	8356	(19.15)	(18.45)	N
31/10/2014	Tech Pro Technology Development Limited	3823	(23.08) [1]	(29.40) [1]	N
28/10/2014	China State Construction International Holdings Limited	3311	2.85	1.82	Y
24/10/2014	International Housewares Retail Company Limited	1373	0.08	0.40	N
23/10/2014	TSC Group Holdings Limited	206	27.80	24.22	N
		Maximum	29.80	28.20	
		Minimum	(45.40)	(44.60)	
		Average	(5.24)	(4.90)	
25/1/2015	***The Company***	***686***	***1.98***	***2.79***	***Y***

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Note 1: Information was not disclosed in the corresponding announcements. Figures were computed based on the issue prices as disclosed in the corresponding announcements and the adjusted closing share prices of the respective companies as on the official website of the Stock Exchange (www.hkex.com.hk).

During the CS Comparable Period, the issue prices of the CS Comparables range from a discount of approximately 45.40% to a premium of approximately 29.80%, with an average of a discount of approximately 5.24%, to the closing share price on the last trading day prior to the agreement/date of agreement. In addition, the issue prices of the CS Comparables range from a discount of 44.60% to a premium of approximately 28.20%, with an average of a discount of approximately 4.90%, to the average closing share price for the last five trading days prior to and including the date of agreement.

The Issue Price per Share of HK$1.03 represents a premium of approximately 1.98% over the closing Share price on the date of the Options Agreement and a premium of approximately 2.79% over the average closing Share price for the last five trading days prior to and including the date of the Options Agreement. Taking into account that the Issue Price represents (i) a premium over the closing Share price on the date of the Options Agreement whereas the issues prices of the CS Comparables on average represents a discount to their respective closing share prices on the last trading day prior to the corresponding agreement/date of corresponding agreement; and (ii) a premium over the average closing Share price for the last five trading days prior to and including the date of the Options Agreement whereas the issue prices of the CS Comparables on average represents a discount to their respective average closing share prices for the last five days prior to and including the date of the corresponding agreement; we are of the view that the Issue Price of HK$1.03 is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Taking into account that (i) the closing Share price was on a downward trend during the Review Period and the Issue Price represents a premium of approximately 7.93% over the average closing price of the Shares during the Review Period; and (ii) the Issue Price represents premiums over both the closing Share price on the date of the Options Agreement and the average closing Share price for the last five trading days prior to and including the date of the Options Agreement, whereas the issue prices of the CS Comparables represent discounts to the corresponding prices; we concur with the view of the Directors that the principal terms of the Options Agreement including the Issue Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.3 *Principal terms of the JV Formation Agreement*

Business scope of the Target Company

The business scope of the Target Company will include, among other things, the investment, construction, operation, maintenance and management of solar power plants, research and development of photovoltaic solar power technology and facilities, provision of technical consultancy services for photovoltaic solar power projects, sale of photovoltaic solar power facilities and sale of metal hardware products, traffic equipment and electromechanical devices.

Registered capital of the Target Company

The Target Company is a company with limited liability established under the laws of the PRC with a registered capital of RMB10 million (equivalent to approximately HK$12.6 million). Upon the Acquisition Completion, the Target Company will be owned as to 51% and 49% by UP (Changzhou) and CM Yinke Party respectively.

Pursuant to the JV Contract, the Target Company may raise working capital by way of loan or increase of its registered capital. In the latter case, the parties to the JV Contract are entitled to contribute capital in proportion to their respective equity interests in the Target Company.

Board composition

The board of directors of the Target Company will have three members, two of whom (including the chairman of the board of directors) will be appointed by UP (Changzhou) and one of whom (being the vice-chairman of the board of directors) will be appointed by CM Yinke Party.

The quorum for a meeting of the board of directors will be two directors.

Distribution of profits

UP (Changzhou) and CM Yinke Party will share the profit, risks and loss of the Target Company in proportion to their respective equity interests in the Target Company.

Matters requiring unanimous approval by the directors of the Target Company

The following matters will require the unanimous approval of the directors of the Target Company:

(a) any amendment to the JV Contract or articles of association of the Target Company;

(b) cessation or winding up of the Target Company;

(c) any division or merger of the Target Company; and

(d) any increase or reduction of the share capital of the Target Company.

All other matters will be approved by a majority of the directors present or represented at a board meeting.

Transfer, mortgage, pledge or disposal of equity interests in the Target Company

Neither UP (Changzhou) nor CM Yinke Party may transfer, mortgage, pledge, or otherwise dispose all or part of its equity interest in the Target Company without the prior consent of the board of directors of the Target Company. If either UP (Changzhou) or CM Yinke Party wishes to transfer all or part of its equity interest in the Target Company to a third party, the other party will have a pre-emptive right to purchase such equity interest on the same terms and conditions as those being offered to the third party.

We have reviewed the principal terms of the JV Formation Agreement including the JV Contract and the New Articles for the formation of the Joint Venture. Given that the terms are arrived after arm's length negotiations between UP (Changzhou) and CM Yinke based on their respective shareholding in the Target Company, we are of the view that the terms of the JV Formation Agreement are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Equity Transfer Agreement, the Options Agreement and the JV Formation Agreement

5.1 Financial effects of the Equity Transfer Agreement

(i) *Liquidity*

Since the consideration of RMB21.71 million for the Acquisition will be settled by cash and that additional registered capital of the Target Company of approximately RMB364.36 million will be contributed by the Group to settle the outstanding debts of the Target Group, it is expected that the working capital of the Group will decrease by the same amount upon completion of the Acquisition.

(ii) *Net asset value*

Upon Acquisition Completion, the Group will consolidate the assets and liabilities of the Target Group into the accounts of the Group and the unaudited consolidated net assets attributable to equity holders of the Company is expected to increase.

(iii) *Earnings*

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Group and the financial results of the Target Group will be consolidated into that of the Group. Based on the optimistic prospects of the solar photovoltaic electricity industry in the PRC as mentioned above, it is expected that the Acquisition would bring positive impact to the performance of the Group.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon the Acquisition Completion.

5.2 Financial effects of the Options Agreement and the JV Formation Agreement

It is expected that the entering of the Options Agreement and the JV Formation Agreement would not have any material financial impacts on the Group.

B. CB ISSUE

1. Reasons for and benefits of entering into the Subscription Agreement

CM Fund is the first Sino-foreign equity joint venture fund management company established in 2002 in the PRC. It is a comprehensive asset management platform and is approved by the China Securities Regulatory Commission. As at the Latest Practicable Date, CM Fund is indirectly owned as to 55% by CM Bank and as to 45 % by CM Securities, which is an indirect non-wholly owned subsidiary of China Merchants.

As described in the paragraphs under the section headed "3. Reasons for and benefits of entering into the Equity Transfer Agreement, the Options Agreement and the JV Foundation Agreement" above, solar power plant business has become the primary business segment of the Group and it has been the Group's ongoing initiative to expand its solar power plant business in the PRC. Since 2013, the Group has undergone a series of major acquisitions of various solar power plant projects, including the Acquisition, which increase its scale of its solar power plant business. In addition, on 17 December 2014, the Company and NARI Electricity Design Company Limited ("NARI Electricity") entered into a conditional strategic cooperation agreement with the purpose of collaborating in the development, construction, operation and maintenance of solar power plants, pursuant to which, among others, NARI Electricity will consolidate resource to develop and construct solar power plants designated for the cooperation by the relevant parties, and upon completing such construction, the Group will acquire the solar power plants with an aggregated installed capacity target of not less than 1.5 GW in the next three years. The parties will also establish joint ventures to jointly develop and construct solar power plant projects, and upon the completion of the constructions, the Group will acquire the shareholding in the joint ventures owned by NARI Electricity by cash and/or securities of the Group. In light of the abovementioned transactions and other potential investment opportunities, we are of the view that a considerable amount of funds would be needed by the Group in the following years for its business expansion in the solar energy sector.

Upon completion of the CB Issue, out of the total net proceeds of approximately HK$527.00 million, the Company intends to use approximately 85% for capital expenditure, i.e. the payment of development and construction costs and the remaining approximately 15% as general working capital, in particular, for the payment of costs and expenses for the operation and maintenance of the existing solar power plants owned by the Target Group. Considering that (i) a considerable amount of funds would be needed by the Group for its business expansion in the near future; (ii) the positive future outlook of the solar power plant market in the PRC; (iii) the net current liabilities position of the Group as at 30 June 2014; (iv) the CB Issue would broaden the capital base and increase the financial flexibility of the Group; and (v) the Convertible Bonds, upon conversion, would increase China Merchants' shareholding in the Company, enabling the Company to gain access into China Merchants' extensive asset management experience, management systems and financial resources, we concur with the Directors' view that the entering into of the Subscription Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue the Convertible Bonds in the principal amount of up to HK$529,000,000 to CM Fund at 100% of the principal amount of the Convertible Bonds subject to the fulfilment of the CB Conditions.

Holders of the Convertible Bonds will be entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period. Assuming full subscription of the Convertible Bonds at HK$529,000,000 and exercise in full of the Conversion Rights at the initial Conversion Price, an aggregate of 513,592,233 Conversion Shares will be issued, representing approximately 10.83% of the issued share capital of the Company as at the Latest Practicable Date and approximately 9.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares and no interest under the Convertible Bonds was paid by the issue of Conversion Shares).

The final principal amount of the Convertible Bonds will be the lower of (i) the HKD equivalent of RMB420,000,000 available to CM Fund from selling RMB420,000,000 for HKD at the Industrial and Commercial Bank of China Limited on the completion date for the CB Issue; or (ii) HK$529,000,000.

The Convertible Bonds will constitute secured obligations of the Company and rank *pari passu* and rateably without any preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) or priority among themselves.

The Company also approached various investors who are parties independent of and not connected with the Company besides CM Fund for issue and subscription of convertible bonds to raise funds for acquisition of solar power plants in late 2014.

The principal terms of the Convertible Bonds are summarised below.

Principal amount

Up to HK$529,000,000

Issue price

100% of the principal amount of the Convertible Bonds, payable in cash

Interest

The Convertible Bonds will bear interest at the rate of 7.5% per annum, payable annually in arrears.

Except in the following situations where the accrued but unpaid interest will be paid in the form of Conversion Shares, the interest will be paid in cash:

(a) in the event of a Mandatory Conversion, the accrued but unpaid interest will be paid by the issue of Conversion Shares at the Conversion Price then in effect; and

(b) upon the exercise of the Conversion Rights, a Bondholder elects to receive the accrued but unpaid interest in the form of Conversion Shares issued at the Conversion Price then in effect.

As interest will be paid annually in arrears, the maximum accrued interest at any point of time during the term of the Convertible Bonds will not exceed HK$39,675,000, the amount of interest for one year. On this basis, assuming Conversion Shares were required to be issued for payment of interest under the Convertible Bonds and all such Conversion Shares were issued at the initial Conversion Price, a maximum of 38,519,417 Conversion Shares will be issued for payment of interest.

Maturity Date

The third anniversary of the Issue Date

Initial Conversion Price

The initial Conversion Price of HK$1.03 (subject to adjustments) represents:

(a) a premium of approximately 1.98% over the closing price of HK$1.01 per Share as quoted on the Stock Exchange on 23 January 2015, being the date of the Subscription Agreement;

(b) a premium of approximately 2.79% over the closing price of HK$1.002 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 January 2015;

(c) a premium of approximately 139.53% over the unaudited net asset value per Share as at 30 June 2014; and

(d) a premium of approximately 6.19% over the closing price of HK$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price was determined after an arm's length negotiation and with reference to the prevailing market price of the Shares between the Company and CM Fund.

Security

The Convertible Bonds will be secured by the pledge of the following assets:

(a) the Sale Equity held by UP (Changzhou);

(b) 100% of the equity interest in the Hami Project Company;

(c) all the rights of the Hami Project Company to receive feed-in tariff payments in respect of the solar power plants at Agricultural Thirteenth Division Hongxing Fourth Development Zone Phase I and Hami Huiteng Hongxing Fourth Development Zone Phase II with aggregate installed capacity of approximately 40 MW (the "**Target Solar Power Plants**"); and

(d) the fixed assets of the Target Solar Power Plants.

The Company estimates the rights of the Hami Project Company to receive feed-in-tariff payments in respect of its 40 MW solar power plants at projected cash flows of approximately RMB187,500,000 (equivalent to approximately HK$236,250,000) based on undiscounted revenue forecast over a period of three years (which is the term of the Convertible Bonds). Such revenue forecast is also adopted in the Valuation Report. The Company values the fixed assets of the Target Solar Plants at approximately RMB370,000,000 (equivalent to approximately HK$466,200,000) based on the net book value of such fixed assets as at 31 October 2014.

Details of other principal terms of the Convertible Bonds are set out in the Letter from the Board.

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds, we have reviewed the relevant issues and subscriptions of convertible bonds/notes by companies listed on the Stock Exchange (the "Convertible Bonds Comparables") as announced during the last three months prior to and including 22 January 2015, being the last trading day before the date of the Subscription Agreement (the "Comparable Period"). We believe the abovementioned period adopted represents a reasonable and meaningful period to reflect the recent market condition and sentiment for conducting such fund raising activity. We have, to our best effort, identified and made references to, so far as we are aware, 25 Convertible Bonds Comparables which are exhaustive and the issuers/subscribers of which consist of connected person(s) (as defined in the Listing Rules) and/or independent third parties, both of which we consider appropriate price and terms are determined after arm's length negotiation between the relevant parties. Independent shareholders should note that the Convertible Bonds Comparables could provide a general reference for the recent common market practice of listed companies in Hong Kong in issuing convertible bonds under similar market conditions. Details of the Convertible Bonds Comparables are set out in table 4 below.

Table 4: A summary of Convertible Bonds Comparables

Date of announcement	Company name	Stock code	Conversion price premium over/(discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement *(Approximate %)*	Conversion price premium over/(discount to) the average closing price for the last five trading days prior to and including the date of agreement *(Approximate %)*	Coupon rate *(% p.a.)*	Duration *(Year)*	Connected transaction (Y/N)
22/10/2014	Golden Meditech Holdings Limited	801	12.00	15.70	5.00	3.00	N
24/10/2014	Haitong International Securities Group Limited	665	30.15	33.63	1.25	5.00	N
29/10/2014	Shunfeng Photovoltaic International Limited	1165	1.86	1.04	5.00	3.00	Y
29/10/2014	National United Resources Holdings Limited	254	0.88	(1.12)	6.00	1.00	N
4/11/2014	Blue Sky Power Holdings Limited	6828	0.74	(0.24)	0.00	3.00	N
6/11/2014	Sheng Yuan Holdings Limited	851	40.00	38.90	8.00	3.00	N
21/11/2014	Louis XIII Holdings Limited	577	(23.46)	(25.18)	0.00	10.21 *(Note 1)*	N
23/11/2014	Pan Asia Mining Limited	8173	47.06	47.06	2.00	5.00	N
28/11/2014	China Resources and Transportation Group Limited	269	11.73	9.28	9.00	1.00	Y
28/11/2014	China Resources and Transportation Group Limited	269	0.12	9.28	9.00	3.00	N

Date of announcement	Company name	Stock code	Conversion price premium over/(discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement *(Approximate %)*	Conversion price premium over/(discount to) the average closing price for the last five trading days prior to and including the date of agreement *(Approximate %)*	Coupon rate *(% p.a.)*	Duration *(Year)*	Connected transaction (Y/N)
1/12/2014	Haitian Hydropower International Limited	8261	(0.20)	(16.10)	5.00	2.00	N
9/12/2014	Merdeka Mobile Group Limited	8163	30.61	30.72	0.00	3.00	N
11/12/2014	SMI Holdings Group Limited	198	23.64	18.88	7.00	3.00	N
11/12/2014	Quali-Smart Holdings Limited	1348	(18.03)	(13.60)	0.00	2.00	N
19/12/2014	Sheng Yuan Holdings Limited	851	40.00	39.20	8.00	3.00	N
22/12/2014	National Arts Entertainment and Culture Group Limited	8228	18.42	13.92	9.00	3.00	N
23/12/2014	China All Access (Holdings) Limited	633	16.79	14.53	6.00	2.00	Y
23/12/2014	Yuxing Infotech Investment Holdings Limited	8005	(10.34)	(7.80)	6.00	1.00	N
29/12/2014	Green International Holdings Limited	2700	(10.00)	(10.18)	3.00	3.00	N
30/12/2014	China Tycoon Beverage Holdings Limited	209	5.55	5.55	5.00	2.00	N
31/12/2014	Digital Domain Holdings Limited	547	(3.61)	7.82	0.00	1.50	N
8/1/2015	China All Access (Holdings) Limited	633	(1.06)	15.43	7.50	2.25	N

Date of announcement	Company name	Stock code	Conversion price premium over/(discount to) the closing price on the last trading day prior to the date of agreement/ date of agreement	Conversion price premium over/(discount to) the average closing price for the last five trading days prior to and including the date of agreement	Coupon rate	Duration	Connected transaction
			(Approximate %)	*(Approximate %)*	*(% p.a.)*	*(Year)*	(Y/N)
9/1/2015	Hydoo International Holding Limited	1396	4.60	2.73	7.00	5.00	N
9/1/2015	Great World Company Holdings LTD	8003	(75.90)	(73.75)	0.00	5.00	N
18/1/2015	Ko Yo Chemical (Group) Limited	827	(13.04)	(13.63)	7.00	10.00	Y
		Maximum:	47.06	47.06	9.00	10.21	
		Minimum:	(75.90)	(73.75)	0.00	1.00	
		Average:	5.14	5.68	4.63	3.40	
25/1/2015	***The Company***	***686***	***1.98***	***2.79***	***7.50***	***3.00***	***Y***

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Note 1: Computed based on the number of days between the date of agreement and the maturity date on a pro-rata basis.

(i) *Conversion Price*

During the Comparable Period, the conversion prices of the Convertible Bonds Comparables range from a discount of approximately 75.90% to a premium of approximately 47.06%, with an average of a premium of approximately 5.14%, to the closing share price on the last trading day prior to the corresponding agreement/date of corresponding agreement. In addition, the conversion prices of the Convertible Bonds Comparables range from a discount of approximately 73.75% to a premium of approximately 47.06%, with an average of a premium of approximately 5.68%, to the average closing share price for the last five trading days prior to and including the date of the corresponding agreement.

The Conversion Price per Share of HK$1.03 represents a premium of approximately 1.98% over the closing Share price on the date of the Subscription Agreement and a premium of approximately 2.79% over the average closing Share price for the last five trading days prior to and including the date of the Subscription Agreement. We noted that each of the premiums of the Conversion Price over the closing Share price on the date of the Subscription Agreement and the average closing Share price for the last five trading days prior to and including the date of the Subscription Agreement is slightly lower than that as represented by the Convertible Bonds Comparables. Taking into account the respective premiums of the Conversion Price over the closing Share price on the date of the Subscription Agreement and the average closing Share price for the last five trading days prior to and including the date of the Subscription Agreement fall within the corresponding ranges of the Convertible Bonds Comparables, we are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

(ii) ***Interest rate***

As shown in table 4, the interest rates of the Convertible Bonds range from nil to 9.00% with an average of 4.63%. The interest rate of 7.50% of the Convertible Bonds therefore falls within the range of the interest rates of the Convertible Bonds Comparable. As such, we consider that the interest rate of the Convertible Bonds is fair and reasonable and in the interests of the Company and Shareholders as a whole.

(iii) ***Term to maturity***

As shown in table 4, the terms to maturity of the Convertible Bonds Comparables range from 1.00 years to 10.21 years with an average of 3.40 years. The term to maturity of 3.00 years of the Convertible Bonds therefore falls within the range of the terms to maturity of the Convertible Bonds Comparables and hence, we are of the view that the term to maturity of the Convertible Bonds is fair and reasonable and in the interests of the Company and Shareholders as a whole.

(iv) ***Security***

Despite that there is no such practice of pledging assets as security of convertible bonds among the Convertible Bonds Comparables, given that (i) as stated in the Letter from the Board, the management of the Company noticed that it is common for investors to propose such arrangement based on their previous negotiations with independent third party investors reached; (ii) the reasons for and the benefits of entering into the Subscription Agreement, which the Security forms part, as discussed above; we are of the view that offering the Security for the CB Issue is in the interests of the Company and Shareholders as a whole.

2.4 ***Conclusion***

Taking into account that (i) the closing Share price was on a downward trend during the Review Period and the Conversion Price represents a premium of approximately 101.96% over the lowest closing price of the Shares and a premium of approximately 7.93% over the average closing price of the Shares during the Review Period; (ii) the average daily trading volume of the Shares during the Review Period was generally thin; (iii) the respective premiums over the closing price of the Shares on the date of the Subscription Agreement and the average closing Share price for the last five trading days prior to and including the date of the Subscription Agreement as represented by the Conversion Price falls within the corresponding ranges of the Convertible Bonds Comparables; (iv) the interest rate of the Convertible Bonds falls within the range of that of the Convertible Bonds Comparables; (v) the term to maturity of the Convertible Bonds falls within the range of that of the Convertible Bonds Comparables; (vi) the reasons for and the benefits of entering into the Subscription Agreement as discussed above; and (vii) it is common for investors to propose the security arrangement based on the previous negotiations between the Company and the independent third party investors reached and the offering of the Security for the CB Issue forms part of the Subscription Agreement, we are of the view that the principal terms of the Convertible Bonds including the Conversion Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Other financing alternatives

With regards to the financing alternatives available to the Group, we were advised by the Directors that apart from the CB Issue, the Company has also considered other means of financing to raise additional funds including debt financing and equity financing.

For debt financing, the Directors advised us that the Company has been in negotiation with various banks and financial institutions in obtaining bank borrowings and/or loans at favourable terms to the Company. However, no formal agreement has been entered into by the Company in respect of such debt financing as at the Latest Practicable Date.

Regarding other forms of equity financing, the Directors are of the view that (i) the existing net current liabilities position of the Group might cause challenges for the Group to procure any underwriter(s) and to attract the Shareholders and potential investors to participate in rights issue and open offer exercises with favourable terms to the Group; (ii) it would be difficult for the Group in attracting Independent Shareholders in the placement of new Shares without offering a significant discount on the placing price to the trading Share price; and (iii) undertaking rights issue and open offer would usually incur higher costs, which include underwriting commissions, documentation preparation costs and professional fees, and those methods would normally take longer for completion than the CB Issue. As such, the Directors consider that the CB Issue would be the simplest, the most cost effective and efficient and hence the most appropriate financing option available to the Group.

4. Financial impacts of the CB Issue

(i) ***Net assets value***

According to the Interim Report 2014, the net assets of the Group were approximately HK$1,902.10 million as at 30 June 2014. The CB Issue will constitute (i) an increase in cash by the amount of the net proceeds of approximately HK$527.00 million; (ii) an increase in convertible bonds equity reserve of the Group as the equity component of the Convertible Bonds, which together with the abovementioned increase in cash, constitutes the fair value of the Convertible Bonds; and (iii) an increase in non-current liabilities as the liability component of the Convertible Bonds. As such, it is expected that the net assets value of the Group would increase by the difference between the fair value of the Convertible Bonds and the fair value of the liability component of the Convertible Bonds, which is to be determined upon the CB Issue.

(ii) ***Liquidity***

According to the Interim Report 2014, the cash and cash equivalents of the Group amounted to approximately HK$203.66 million as at 30 June 2014. Immediately upon completion of the CB Issue, the Group will raise net proceeds of approximately HK$527.00 million and the cash and cash equivalents balance would be increased by the same amount. As such, it is expected that the CB Issue would have a positive impact on the liquidity position of the Group.

(iii) ***Gearing***

According to the Interim Report 2014, the gearing ratio of the Group as at 30 June 2014 was approximately 74.84%. The ratio was computed by dividing net debt by total capital of the Group as at 30 June 2014. As part of the Convertible Bonds would be accounted for a liability component, the total debts of the Group would increase and hence, it is expected that the gearing ratio of the Group would deteriorate upon the CB Issue.

POTENTIAL DILUTION TO THE SHAREHOLDING INTERESTS OF THE EXISTING SHAREHOLDERS

Your attention is drawn to the section headed "Shareholding structure' as set out in the Letter from the Board. We noted that the shareholding of the existing public Shareholders would reduce from approximately 75.91% as at the Latest Practicable Date to approximately (i) 68.49% immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; (ii) 67.55% immediately after the allotment and the issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price and the Outstanding Convertible Securities at their respective current conversion prices; and (iii) 62.47% immediately after the allotment and issue of Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, the Outstanding Convertible Securities at their respective current conversion prices and the allotment and issue of the Consideration Shares under the Options Agreement at the initial Issue Price.

Taking into account (i) the reasons for and the benefits of entering into the Equity Transfer Agreement, the Options Agreement and the Subscription Agreement as described above (ii) the principal terms of the Equity Transfer Agreement, the Options Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we consider that the possible dilution effect on the shareholding interests of the existing public Shareholder is justifiable.

RECOMMENDATIONS

Based on the abovementioned principal factors and reasons for entering into the Equity Transfer Agreement, the Options Agreement, the Subscription Agreement, the JV Formation Agreement and the respective transactions contemplated thereunder, we are of the view that the terms of the Equity Transfer Agreement, the Options Agreement, the Subscription Agreement, the JV Formation Agreement and the respective transactions contemplated thereunder are in ordinary and usual course of business of the Company, are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions for approving the Equity Transfer Agreement, the Options Agreement, the Subscription Agreement, the JV Formation Agreement and the transactions contemplated thereunder to be proposed in the SGM.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

The following is the text of the Valuation Report prepared for the purpose of incorporation in this circular, received from American Appraisal China Limited.

American Appraisal China Limited
13/F, On Hing Building
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Leading / Thinking / Performing

27 February 2015

The Directors
United Photovoltaics Group Limited

Our Ref.: 14/2282

Dear Sirs,

VALUATION REPORT OF BUSINESS ENTERPRISE VALUE

Pursuant to the terms, conditions and purpose of an engagement agreement dated November 4, 2014 between United Photovoltaics Group Limited ("United PV" or "Client") and American Appraisal China Limited ("American Appraisal"), we were retained to assist the Client in the valuation analysis ("Valuation") of business enterprise of Changzhou Guangyu New Energy Company Limited (常州光昱新能源有限公司) ("Target Company"), consisting two subsidiaries, namely Hami Huiteng Photovoltaic Company Limited (哈密輝騰光伏電力有限公司) ("Hami Project Company") and Turpan Zhongli Talesun Photovoltaic Company Limited (吐魯番中利騰暉光伏發電有限公司) ("Turpan Project Company") (collectively known as "Target Group"). The valuation date is set at October 31, 2014 ("Valuation Date").

United PV is a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0686) and is principally engaged in the development, investment, operation and management of the solar power plants. On October 31, 2014, United PV and 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") contemplate the joint acquisition of the entire equity interest in the Target Company from China Merchants Zhangzhou Development Zone Trenda Solar Limited (招商局漳州開發區創大太陽能有限公司) ("CM Trenda", "Seller"), whereby United PV intends to acquire 51% equity interest in the Target Company and CM Yinke intends to acquire the remaining 49% equity interest ("Proposed Transaction").

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

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

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

PURPOSE OF VALUATION

United PV contemplates to acquire 51% equity interest in the Target Company from CM Trenda. With the Client's approval and as stipulated by the Engagement Agreements in formulating our opinion on the fair value of the business enterprise of the Target Group, we relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the Target Group provided by the Management. Since the Target Group has limited historical track record, the fair value of the business enterprise is subject to numerous assumptions adopted in the business plan and prospective financial information. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion would be different. With respect to the prospective financial information regarding the Target Group provided to or otherwise reviewed by or discussed with us, it has been represented by the Management and was assumed for the purposes of this opinion that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the Management as to the expected future results of operations and financial conditions of the Target Group to which such analyses or forecasts relate. We can give no assurances, however, that such financial analyses and forecasts can be realized or that actual results will not vary materially from those projected.

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

STANDARD AND BASIS OF VALUE

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

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

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

DESCRIPTION OF THE TARGET GROUP

The Target Company is a company with limited liability established under the laws of the PRC and is a wholly owned subsidiary of CM Trenda, which wholly owns the Hami Project Company and the Turpan Project Company. Each of the Hami Project Company and the Turpan Project Company owns two solar power plant projects respectively in Hami City and Turpan City, Xinjiang Province, the PRC. All four solar power plants ("Projects") have an approximate aggregate installed capacity of 80 MW and have achieved on-grid connection. The two solar power plants with total capacity of 40 MW ("Project Hami") of Hami Project Company and a 20 MW solar power plant for Phase I ("Project Turpan Phase I") of Turpan Project Company commenced operation in early 2014. The 20 MW solar power plant for Phase II ("Project Turpan Phase II") of Turpan Project Company commenced operation in September 2014.

FINANCIAL REVIEW OF THE TARGET GROUP

Based on the consolidated management account of the Target Group, as of October 31, 2014, total assets amounted to approximately RMB851 million. Fixed assets including property, plant and equipment amounted to approximately RMB714 million and are mainly related to the solar power plants with a power generation capacity of 80 MW.

The Target Company recorded consolidated revenue of approximately RMB58 million for the 10-month period ended October 31, 2014. Earnings before interest, tax, depreciation and amortization ("EBITDA") and earnings before interest and tax ("EBIT") were approximately RMB57 million and RMB35 million for the same period respectively.

ECONOMIC OUTLOOK

The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of economy of China, where businesses of the Target Group are transacted, was essential to develop this outlook. The following economic discussion was extracted from Economic Intelligence Unit ("EIU") "China: Country outlook" issued on November 14, 2014.

ECONOMIC GROWTH: The economy is undergoing a structural shift that is likely to last many years. The Economist Intelligence Unit expects real GDP growth to decelerate steadily over the next five years, from an estimated 7.3% in 2014 to 5.5% in 2018–19. The adjustment is partly related to demography, as the country's working-age population is now shrinking. However, a more important factor is the need to rebalance after several years during which economic expansion has been overly dependent on rapid credit growth, channelled largely into investment. Financial deleveraging is still some way off, but even reining in credit growth will slow the pace of investment, which will rise by 6% annually on average in 2015–19. Much of the slowdown in investment growth will be concentrated in real-estate development.

INFLATION: EIU expects annual consumer price inflation to average 3% in 2015–19. Over the period as a whole, improved transport logistics and an expected decline in global oil costs will help to restrain price increases. However, rapid domestic-demand growth and domestic-price reform will generate inflationary pressures. The threat that a bad harvest could push up food prices sharply will persist.

EXCHANGE RATES: EIU expects the local currency to continue to strengthen slowly against the US dollar in 2015–17, before depreciating in 2018–19 as China's external position weakens. China's financial authorities remain committed in the long term to scaling back exchange-rate intervention, as this is tied to policy goals such as rebalancing the economy and internationalising the Renminbi.

INDUSTRY OVERVIEW

The industry discussions below were extracted from "Global Market Outlook for Photovoltaics 2014–2018" issued by European Photovoltaic Industry Association ("EPIA") in June 2014 and "Renewable Energy Prospects: China" issued by International Renewable Energy Agency ("IRENA") in November 2014.

Global solar landscape

With at least 38.4 gigawatts (GW) of newly-installed solar photovoltaic (PV) capacity worldwide and a global cumulative installed capacity of 138.9 GW, 2013 was another historic year for solar PV technology. Compared to the two previous years, where installed capacity hovered only slightly above 30 GW annually, the PV market progressed remarkably in 2013. Despite this, the global PV market is at a turning point which will have profound implications in the future. For the first time in more than a decade, the European PV market was no longer the top regional PV market in the world. Asia surpassed Europe in a dramatic way, representing around 56% of the world PV market in 2013. This Asian progress occurred in parallel with the relative decline in Europe already observed in 2012. Vigorous growth in non-European markets kept global PV development on an upward trajectory and largely compensated for the European slowdown.

China was the top market in 2013 with 11.8 GW of which 500 MW represents off-grid systems. Statistics released in May 2014 report that the country may have installed an additional 1.1 GW on top of the 11.8 GW estimated by EPIA. China was followed by Japan with 6.9 GW and the USA with 4.8 GW. All three are expected to continue at the same level or even slightly more in 2014, with China probably above 10 GW for several years.

China solar sector

According to IRENA, China installed 13 GW of solar PV capacity in 2013, a substantial increase which resulted in a total installed capacity of 20 GW. 1 GW came from distributed projects, such as rooftop solar PV on residential or commercial buildings.

Following the strong momentum seen in 2013, a new target was set in May 2014 of 70 GW by 2017 in the context of the Action Plan on Prevention and Control of Air Pollution. This target indicates that the record growth of 13 GW a year would have to be sustained for the next four years. Although the addition of distributed solar PV generation capacity in 2013 was about 800 MW, the new goal set for 2014 is to install 8 GW of distributed solar PV as opposed to 6 GW ground-mounted utility-scale solar PV farms. It highlights the importance of distributed solar PV as well as the development of utility-scale solar PV in western China, in the context that distributed solar PV accounts for about 38% of the total installed. However, in the first half of 2014 only 2.3 GW of ground-mounted utility scale capacity was installed while about 1 GW of distributed generation solar PV was installed, but with another 3 GW at least commissioned in the same time period. If the targets set for 2014 are to be achieved, considerable efforts need to be made in the near future.

Qinghai, Xinjiang, Tibet, Inner Mongolia, Sichuan and Gansu Provinces account for the largest share of installed solar PV capacities, given they represent more than two thirds of the national solar energy resource potential.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the business of the Target Group, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of prospective financial results, an analysis of comparable transactions and review of transaction documents, operating statistics and other due diligence documents. We made reference to or reviewed the following major documents and data:

- Announcements of the Client in relation to the Proposed Transaction;
- Copies of signed equity transfer agreement of the Proposed Transaction dated January 23, 2015 and EPC contract dated December 26, 2013;
- Government approval documents for project construction approval;
- On-grid agreements with State Grid Xinjiang Electric Power Corporation (國網新疆電力公司) ("State Grid Xinjiang") dated December 9, 2013 for Project Hami, November 4, 2013 for Project Turpan Phase I and August 12, 2014 for Project Turpan Phase II;
- Government approval documents for the on-grid tariff of the Projects;
- Feasibility studies of the Projects;
- Applicable value-added tax and income tax policies;
- Industry reports;
- Prospective financial information and the breakdown of major revenue/cost of sales/operating expenses, capital expenditures and relevant taxes relevant to the Target Group ("Financial Projections"); and
- Other relevant documents.

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

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

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

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

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

VALUATION METHODOLOGY OVERVIEW

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

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

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

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

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

In forming our opinion, we rely upon the income approach, known as discounted cash flow method. We consider that the departure from the IVS, in respect of using various approaches to arrive at a valuation conclusion and the reliance on income approach only are permitted based on the reasons above and will not render the indicative value so derived not credible for intended use of this report. From the Management's point of view, the value derived from the income approach is considered reasonably sufficient for the purpose of disclosure. The Management is also fully aware of our scope of work.

INCOME APPROACH

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

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

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

As of 31 December 2014 **Years ending 31 December** *(All figures in RMB'000 unless specified otherwise)*	**Nov–Dec 2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**	**2030**	**2035**	**2038**	**2039**
Revenue *(Note 1)*	20,513	121,779	120,805	119,838	118,880	117,929	116,985	112,380	107,956	103,706	101,237	15,740
Operating Expenses	(6,533)	(39,392)	(39,699)	(40,014)	(40,340)	(40,674)	(41,019)	(42,906)	(45,093)	(47,629)	(49,340)	(12,708)
Earnings Before Interest & Tax (EBIT)	13,981	82,387	81,106	79,824	78,540	77,254	75,966	69,474	62,863	56,078	51,898	3,032
Other Income/(Expenses)	(2,987)	(17,730)	(17,588)	(17,447)	(17,509)	(18,681)	(18,732)	(17,994)	(17,286)	(16,605)	(16,210)	(2,520)
EBIT After Other Income/ (Expenses)	10,994	64,657	63,518	62,377	61,031	58,573	57,234	51,480	45,577	39,472	35,687	512
Income Tax Expense	0	0	0	(7,797)	(7,629)	(7,322)	(14,308)	(12,870)	(11,394)	(9,868)	(8,922)	(128)
Net Income	10,994	64,657	63,518	54,580	53,402	51,252	42,925	38,610	34,183	29,604	26,766	384
Adjustments												
Depreciation & Amortization (Non-Cash Expense)	4,875	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	9,246
Capital Expenditures	0	0	0	0	0	0	0	0	0	0	0	0
Decrease/(Increase) In Working Capital	0	0	47,857	0	0	0	0	0	0	0	0	0
Other Cash Flow Items	2,981	17,694	17,553	17,412	15,261	2,019	0	0	0	0	0	0
Free Cash Flow to Business Enterprise	18,850	111,526	158,102	101,166	97,838	82,445	72,100	67,784	63,357	58,779	55,940	9,630
Cumulative cash inflow/(outflow) for the year	18,850	130,376	288,478	389,645	487,482	569,927	642,027	989,616	1,315,309	1,618,429	1,789,105	1,798,735
Estimated effective capacity (MW) *(Note 2)*	80	80	80	80	80	80	80	80	80	80	80	13

* *the minor difference from casting or arithmetic result is due to the decimal numbers were not shown.*

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

Years ending 31 December	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**	**2030**	**2035**	**2038**	**2039**
Project Hami	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Project Turpan Phase I	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Project Turpan Phase II	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
All Projects	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99	0.99

Note 2: Estimated effective capacity in 2039 would be lower because only Project Turpan Phase II of 20 MW would be still running for 8 months in the year.

Free cashflow to business enterprise from 2014 to 2039 (the 25th year after commencement of operation of Project Turpan Phase II, i.e. the last among the Projects to start operation, in September 2014) would decrease at a compounded rate of 0.8% p.a. due to an annual degradation of power generating capacity which results in decreasing revenue and offset by annual increase in operating expenses by inflation rate.

Revenue

Revenue is derived by multiplication of electricity tariff and power generated by PV power plants over a period of 25 years. The total maximum electricity generating output by the Target Group amounted to approximately 80 MW. The Projects are ground mounted on-grid PV power plants (Ground Projects).

Project period and degradation factor

The cash flow projection covers a period of 25 years from the launch of solar power plants as the economic useful life of PV equipment is 25 years. Project Hami and Project Turpan Phase I of the Target Group commenced operation in early 2014 while Project Turpan Phase II started operation in September 2014 and hence, the Financial Projections are prepared until the end of the expected useful life of the equipment, i.e. year 2039. We have reviewed the guidance on manufacturing of PV module published by The State Council of the PRC (國發[2013]24號), which states that for multi-crystalline PV module, power output degradation should not be more than 20% over 25 years, which implies an average of 0.8% degradation per year. The degradation factor is applied to the theoretical output to arrive at the operational output.

Power generation output

Power generated, or operational output, of a PV system is measured by the solar capacity (Wp) while electricity tariff is measured in Watt-hour (Wh). The corresponding conversion factor from Wp into Wh is dependent on the insolation which is closely related to the location of PV power plants. Zhongli Talesun, the original shareholder of the Target Company prior to the first acquisition by CM Trenda, the Seller of the Proposed Transaction, has guaranteed the electricity output at 1,620 MWh/MWp and 1,550 MWh/MWp for the first ten years of operation of Project Hami and Project Turpan respectively, which is equivalent to a conversion factor of 1,588 MWh/MWp and 1,519 MWh/MWp after adjustment on loss due to fault of electricity wire and equipment assumed by the Management. Hence, this figure was adopted in the Financial Projections. This rate is lower than the research report about sunlight distribution[1], an average conversion factor of 1,700 MWh/MWp for other projects located in Xinjiang province and lower than the average conversion factor of 1,690 MWh/MWp and 1,540 MWh/MWp from the feasibility studies of the Project Hami and Project Turpan Phase I respectively.

Since the power plants are already in operation, revenue throughout the projection period was estimated assuming the output capacity reached 100%.

Electricity tariff

For Ground Projects, on-grid tariff stipulated by the National Development and Reform Commission (NDRC) is adopted unless other tariff policy is applicable. For Ground Projects got on-grid on and before December 31, 2013, the on-grid tariff was RMB1.0/kWh. For Ground Projects obtained on-grid approval on and after January 1, 2014, NDRC has announced a new tariff scheme that categorizes the projects into three tiers of tariff according to their locations.

Because Project Hami and Project Turpan Phase I obtained on-grid approval in late 2013, the tariff of RMB1.0/kWh (including value-added tax ("VAT")), which includes tariff net of VAT of approximately RMB0.85/kWh and VAT of approximately RMB0.15/kWh (i.e. RMB0.85/kWh x

1 "Evaluating the Solar Radiation Resources of China in Recent 20 Years by Meteorological Model", published in Journal of Applied Meteorological Science in June 2010

17%), was adopted for these projects with total capacity of 60 MW in the Financial Projections. Because Project Turpan Phase II obtained on-grid approval in September 2014, the tariff of RMB0.95/kWh applicable to projects got on-grid after January 1, 2014 in Xinjiang province was adopted in the Financial Projections for this 20 MW project. The on-grid tariff is assumed to keep constant throughout the 25-year term of projects.

Operating Expenses

Operating expenses include maintenance fee, labor cost, material costs, insurance charges, other related expenses and depreciation expense. We have reviewed the historical operating statistics of the Projects in 2014. For cash operating expenses, we have also reviewed the historical operating statistics of United PV's other solar power plants operating in Xuzhou, Jiayuguan and Gonghe, provided by the Management. The estimation of cash operating expenses of RMB124,000 per MW since year in 2014 was adopted in the Valuation and was in line with those plants' historical operating results. The projection of cash operation expenses was mainly constructed with reference to the capacity of the solar power plant, with an expected annual growth rate of 3% based on long-term inflation rate.

Interest Expenses

Despite the Projects have been completed constructions, the fact that the construction and the acquisition of the Target Group involved debt financing lead to an assumption of a hypothetical debt financing with hypothetical interest expenses. Based on the previous borrowing capacity of other solar power plant projects owned by United PV, capital expenditure could be financed up to 70% with a gradual repayment of the outstanding loan by installment and was expected to have no debt from 2028 onwards. As advised by the Management, interest expenses would be tax deductible. The estimated cost of borrowing is 6.55% p.a., with reference to existing long-term best lending rate in China and the loan tenor is expected to be 13 years based on United PV's past borrowing capacity. The impact of the tax shield effect on interest expenses of the Target Group on the future cash flow is dealt with separately to the Fundamental Value and was discussed in the subsequent section.

Tax Expenses

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

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

Other expenses and other cashflow items

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

Other cashflow items represent VAT refund. Under PRC tax rules, revenue is subject to 17% VAT and certain types of asset purchases through capital expenditure are eligible to deduct VAT payment at the same rate of 17%. Because the Projects have been completed constructions, the qualified asset purchases of initial capital expenditure spent has created a VAT recoverable balance to set off against VAT collected due to revenue earned. Net VAT payment would only need to be paid when the VAT recoverable balance is not enough to set off VAT from revenue. Meanwhile, the VAT recoverable balance would be reduced year-on-year by the amount of VAT collected from revenue in those years, until the balance reaches zero. Hence, the add-back would only exist as long as the VAT recoverable balance is positive, i.e. in the first few years of the Financial Projections.

Capital expenditure

Since the Projects have been completed construction and are in operation as of the Valuation Date, it was suggested by the Management to assume no future capital expenditure would be required for the Target Group as all routine maintenance and major overhaul would be expensed when incur. All required fixed assets were in place and corresponding assumed payable for EPC contract due to original owner/vendor will be settled by the funds under the proposed increase of registered capital of the Target Company committed by the Client and CM Yinke as set out in the Equity Transfer Agreement (“Capital Increase”), which is considered as cash flows for financing. Therefore, no further capital expenditure will be incurred on the project level. Thus, the depreciation expense would be solely originated from the capitalized fixed assets, net of VAT recoverable, over the useful life.

Working capital

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

On accounts receivable side, since the customer of the Target Group is State Grid Xinjiang and subsidy part of tariff would be received from the government, no material accounts receivable is estimated. On accounts payable side, since the solar power plants have been completed construction, no material accounts payable would be needed. As such, no material working capital requirement is forecasted.

As of the Valuation Date, the Target Company had working capital of approximately RMB48 million that was largely comprised of electricity income receivable. According to the Management, the government needs some time to release the subsidy part of tariff to a new project for the first time. After the first-time release, the subsidy would be collected timely according to the prior experience of other operating projects of United PV. For the existing working capital, the Management expected the amount would be settled within two years and therefore, the cash inflow was considered in 2016 in the Financial Projections.

Discount rate

The rate at which the annual net cash flows of the Target Group discounted to present value is based on the required return on asset or Asset Discount Rate according to the APV method as described above. Such Asset Discount Rate adopted for the Valuation was 8.0%.

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

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

2. companies that are

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

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

Comparable companies are regarded generally to be subjected to the same systematic risks as the Target Group. Since the subject solar power plant has completed construction and has commenced operation, no project specific risk premium was assigned.

	Comparable Companies	Bloomberg Code	Market capitalization as of Oct 31, 2014 *(In HKD million)*	Principal business activities
1	Jun Yang Solar Power Investments Ltd	397 HK	845	Manufactures amorphous silicon thin film solar cells and modules
2	Hanergy Thin Film Power Group Ltd	566 HK	73,663	Offers equipment and end-to-end manufacturing lines for the mass production of thin film silicon solar modules
3	United Photovoltaics Group Ltd	686 HK	4,405	Focuses on the development of large-scale PV power plants
4	China Singyes Solar Technologies Holdings Ltd	750 HK	10,334	Manufactures glass and stone curtain walls and solar energy products
5	Solargiga Energy Holdings Ltd	757 HK	1,333	Manufactures monocrystalline ingots and wafers
6	GCL-Poly Energy Holdings Ltd	3800 HK	40,581	Produces solar grade polysilicon and operates cogeneration plants
7	China Suntien Green Energy Corp Ltd	956 HK	7,653	Operates wind farm and natural gas business
8	China Datang Corp Renewable Power Co Ltd	1798 HK	8,147	Generates electricity from renewable resources, operates wind farms and hydroelectric power plants
9	China Longyuan Power Group Corp Ltd	916 HK	66,541	Designs, develops, manages and operates wind farms
10	China Resources Power Holdings Co Ltd	836 HK	108,164	Invests, develops and operates coal-fired power plants
11	Huaneng Power International Inc	902 HK	120,142	Develops, constructs and operates coal-fired power plants
12	Datang International Power Generation Co Ltd	991 HK	67,367	Develops and operates power plants
13	Huadian Power International Corp Ltd	1071 HK	48,932	Generates and sells electricity
14	China Power International Development Ltd	2380 HK	23,735	Develops, constructs and operates power plants

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

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

Where

K_e	=	Required return on equity			
R_f	=	Risk-free rate of return	=	4.17%	The R_f is based on the yield of Chinese government 25-year bond as of the Valuation Date. The horizon of selected government bond was to match the horizon of the projection period of 25 years.
β	=	Unlevered Beta	=	0.49	Beta is a measure of the relationship between industry risk and the aggregate market. Unlevered beta is based on the betas of the selected comparable companies unlevered in all-equity scenario.
ERP	=	Equity risk premium	=	7.02%	The ERP is the expected return of the market (R_m) in excess of the risk-free rate (R_f), or, is based on US equity risk premium of 6.0% plus the market systematic risk in China, which is referenced to the volatility of local market index in relation to the S&P500.
PSP	=	Project specific risk premium	=	0%	PSP mainly considers the construction risks and others due to the stage of development of the Projects. In this case, no PSP was added as the solar power plants were developed and are in operation.

We have cross-checked the adopted Asset Discount Rate for the Valuation with market research and actual transactions. We concluded the Asset Discount Rate selected is reasonable.

(1) *Market research*

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

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

We also noted the cost of capital for renewable energy used in REmap 2030, an initiative of IRENA, an intergovernmental organization. REmap 2030 provides a plan to double the share of renewable energy in the world's energy mix between 2010 and 2030. It determines the realistic potential for countries, regions and the world to scale up renewables in order to ensure a sustainable energy future. From "Renewable Energy Prospects: China" issued by IRENA in November 2014, a national cost of capital of 8% was adopted for China in order to generate a national cost curve and show the cost of the transition as businesses and investors would calculate.

(2) *Actual transactions*

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

Additional considerations were listed as below:

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

Under the APV method, as the discount rate used was at all-equity financing level, an adjustment was made by addition of the present value of tax shield arising from the interest expenses on the hypothetical outstanding loan balances of the Target Group during the projection period. The discount rate used for calculation of the present value of the tax shield

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

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

was the pre-tax cost of debt of 6.55% p.a., which was based on the Benchmark Interest Rate in the PRC. It was assumed capital expenditures are financed as to 70% by debt and 30% by equity where the loan tenor was assumed to be 13 years based on experience of Management. The assumptions for loan were in line with the major terms of borrowings from China Development Bank in 2013 and 2014 for financing four solar power plant projects of United PV.

Lack of Marketability Discount ("DLOM")

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

In the Valuation, option-pricing method was used to estimate the DLOM. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. This option-pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of liquidity event and estimated volatility of the a company's shares. Generally speaking, the farther the Valuation Date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. To derive the DLOM in this Valuation, we have considered the time period of one year required for buying or selling a solar power plant project estimated by the Management and the estimated volatility of the value of this type of project with reference to the historical share price of the 14 comparable companies identified in the discount rate section above. By using the option-pricing method, the DLOM of 15.0% was applied in this Valuation.

Value indicated by the income approach

The above key inputs and assumptions result in the value indication for the Target Company of RMB926 million.

MARKET APPROACH — GUIDELINE TRANSACTION METHOD

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

We performed research from our available data source. Based on our research, there are only five merger and acquisition transactions (i.e. transaction no. 1, 2, 22, 26 and 32) with target companies located in China which provide sufficient public information for the purpose of our valuation using GTM, in which two of these five transactions (i.e. transaction no. 22 and 26) belong to United PV. Because of the limited number of samples, the research for comparable transactions was extended to include transactions in the worldwide solar power plant industry to form a meaningful analysis. We identified 32 merger and acquisition transactions in the worldwide solar power plant industry over the period from 1 July 2011 to 30 October 2014. Based on our available resources and given the selection criteria set out above, on a best effort and unbiased basis and to the best of our knowledge, these samples are full and exhaustive. The targets of the selected transactions are all solar power plants with disclosed information on transaction price, electricity generating capacity and status of development, by the searching of public filing and announcements of relevant companies.

The ratio of implied total equity value to its electricity generating capacity ("Equity Value to Capacity Ratio"), or the equity value divided by capacity, was calculated for each of the comparable transactions. The Equity Value to Capacity Ratio was selected because no historical financial result of the transaction projects was available, except transaction no. 32 for which the borrowing amount of the transaction project was available and added in order to derive comparable ratio. We presented in the table below two batches of results, one being all transactions and another set being transactions in Asia. Since the Target Group is located in the PRC, we observed those transactions in Asia where the median and average Equity Value to Capacity Ratio were HKD13.0/W and HKD14.5/W, respectively. We have also reviewed the median and average Equity Value to Capacity Ratio for all samples, being HKD22.4/W and HKD25.1/W, respectively.

Under the APV method, the implied per watt value of the Target Company was equal to RMB926 million (or approximately HKD1,175 million) divided by 80 MW, approximately RMB11.6/W or HKD14.7/W. Since most of the targets of comparable transactions are completed or almost completed, so the per watt value from the transactions are directly comparable to the value derived from the APV method. The implied per watt value of the Target Company is in line with the average Equity Value to Capacity Ratio derived from the Asia comparable companies.

Key information of comparable transactions is summarised below:

	Target Companies	Completion Date	EV/Capacity *HKD/Wp*	Note	Status	Location
1	Anhui Xinhui Renewable Energy Investment Company Limited	14/07/2011	16.0		Under construction	China
2	Jun Yang Holdings	16/05/2012	5.5	1	Mostly completed	China
3	S-Energy Co., Ltd. (Sacramento Solar Energy Plant)	30/08/2012	35.5		Under construction	California, USA
4	GCL Solar Energy Inc (Alpaugh 50 solar plant); GCL Solar Energy Inc Alpaugh North solar plant)	25/07/2012	22.4		Under construction	California, USA
5	Monteboli	09/07/2012	35.8		In operation	Italy
6	Magaz Fotovoltaica S.L.U	06/06/2012	44.2		With permits and licenses and assets	Spain
7	SPP Two Company Limited	24/05/2012	11.5		In operation	Thailand
8	Alex Astral Power Ltd (55% Stake); Alex Spectrum Radiation Pvt Ltd (55% Stake)	17/02/2012	9.5		Built with power purchase agreement	India
9	Solar Park Serre 1 S.r.l.; Circus Energy S.r.l.; Poa Solar S.r.l.; Sulmona Energia S.r.l.	09/02/2012	12.4		In operation	Italy
10	OPDE Group (Solar photovoltaic farm in Predosa); OPDE Group (Solar photovoltaic farm in Tortona)	14/11/2011	44.4		In operation	Italy
11	OPDE Group (three photovolatic plants in Italy)	22/09/2011	43.5		In operation	Italy
12	Terna SpA (78 MW photovoltaic plants)	22/10/2011	35.8		Under construction	Italy
13	Skypower Limited	21/06/2012	7.2	2	Not yet started construction	Canada
14	Eco-Kinetics Netherlands Holding BV (5 solar PV plants)	04/12/2012	24.8		Built and connected	Italy
15	Solar Holding (85% Stake)	19/03/2013	11.4		Built	Italy
16	Kokusai Europe GmbH (Borgo Montello)	23/03/2013	37.4		In operation	Italy
17	KR Energy s.p.a. (Three Photovoltaic Plants)	08/08/2013	31.7		In operation	Italy
18	Parsonage Solar Park; Marvel Farms Solar Park	02/12/2013	22.2		Parsonge Solar Park in operation; Marvel Frams Solar Park is almost completed	United Kingdom
19	S.A.G. Solar UK Ltd	11/11/2013	16.8		In operation	United Kingdom
20	Electrawinds Solar NV; Zon Aan Zee NV	14/10/2013	15.1		In operation	Belgium
21	Canadian Solar Solutions Inc. (Brockville 2 and Burritts Rapids solar power facility)	30/09/2013	44.5		In operation	Canada
22	Fengxian Huize Photovoltaic Energy Limited	06/09/2013	24.0	3	In operation	China
23	Canadian Solar Solutions Inc. (Brockville 1 solar power facility)	02/07/2013	40.6		In operation	Canada
24	Calabria Solar Srl	01/07/2013	22.4		In operation	Italy
25	Sorgenia (10 solar energy plants)	28/05/2013	26.1		In operation	Italy
26	China Solar Power Group Limited (92.17% Stake)	10/06/2013	13.8		Mostly not yet started operation	China
27	Higher Hatherleigh Solar Power Plant	01/05/2014	15.3		In operation	United Kingdom
28	Shacks Barn Solar Power Plant	09/05/2014	16.0		In operation	United Kingdom
29	Silver Ridge Power Inc. (50% Stake)	03/07/2014	7.6		In operation	Canada, India, USA
30	Gehrlicher Solar Espana	30/09/2014	18.0		In operation	Spain
31	William Rutley, Liskeard 3 and Liskeard 4 solar plants	02/10/2014	41.6		In operation	Canada
32	Dafeng Zhenghui Solar Power Co Ltd	14/10/2014	12.1		In operation	China

Note 1: Transaction no. 2 — Jun Yang is thin film based technology and hence, the transaction price may not be comparable to polysilicon based technology. It is excluded in the calculation of ratios below.

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

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

	All samples *HKD/Wp*	Asia samples *HKD/Wp*
High	44.5	24.0
Low	7.6	9.5
Average	25.1	14.5
Median	22.4	13.0

SENSITIVITY ANALYSIS

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

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

- Cash operating expense range from RMB105,000/MW–RMB145,000/MW was tested for sensitivity. The range selected is approximately 15% lower and higher than the estimated cash operating expense for the Projects of RMB124,000/MW. Results are presented in Table B.

A sensitivity analysis on the fair value of business enterprise of the Target Company was presented in the tables below (with sensitivity results are stated in RMB million).

Table A

Discount Rate	Value of Target Company
7.5%	953
8.0%	926
8.5%	902
9.0%	879
9.5%	857
10.0%	836
10.5%	817

Table B

Cash operating expense *(RMB'000/MW)*	Value of Target Company
105	942
110	938
115	934
120	930
124	926
130	922
135	918
140	914
145	910

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of the business enterprise of the Target Group as of October 31, 2014 is reasonably represented by the amount of RENMINBI NINE HUNDRED AND TWENTY SIX MILLION ONLY (RMB926,000,000).

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

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

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

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

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

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

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

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

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

pwc 羅兵咸永道

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

TO THE BOARD OF DIRECTORS OF UNITED PHOTOVOLTAICS GROUP LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 31 October 2014 prepared by American Appraisal China Limited in respect of the appraisal of the fair values of the Solar Power Plants are based. The valuation is set out in Appendix I of the circular of United Photovoltaics Group Limited (the "Company") dated 27 February 2015 (the "Circular") in connection with the proposed acquisition of a 51% equity interest in the Changzhou Guangyu New Energy Company Limited ("Target Company") by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages I-10 to I-18 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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

Reporting Accountant's Responsibility

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

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

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages I-10 to I-18 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

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

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages I-10 to I-18 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 February 2015

B. LETTER FROM THE BOARD

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)

To the Shareholders

Dear Sirs,

United Photovoltaics Group Limited (the "Company")

We refer to the report of American Appraisal China Limited on the fair value of the business enterprise of Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司) and its subsidiaries as at 31 October 2014 ("**Valuation**").

We have also considered the letter from PricewaterhouseCoopers dated 27 February 2015 addressed to the board of directors of the Company regarding whether the Valuation is compiled properly so far as the calculations are concerned.

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

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

Hong Kong, 27 February 2015

* *For identification purpose only*

Subject to the terms and conditions of the Bond Instrument, the Conversion Price shall from time to time be adjusted in accordance with the following provisions (but shall however not be adjusted below the nominal value of Shares) and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (1) to (7) below it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

(1) If and whenever there shall be an alteration to the nominal amount of a Share by reason of any consolidation or subdivision, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business on the Business Day immediately preceding the date on which the relevant consolidation or subdivision (as the case may be) becomes effective, PROVIDED THAT, where the Conversion Date shall fall on or before the said Business Day but the Company shall not by the close of business on the said Business Day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the Bondholder in accordance with the Conversion Right, be deemed to have become effective before the Conversion Date.

(2) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C + D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in connection with and as a result of such capitalisation,

PROVIDED THAT if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Conversion Price shall be adjusted in such manner as an approved merchant bank or the auditors of the Company shall certify to be appropriate, having regard to the relative interests of the persons affected thereby.

Each such adjustment shall be effective (if appropriate retroactively) from the day next following the record date for such issue.

(3) If and whenever the Company shall make (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own shares which is permitted by law and by the rules of the Stock Exchange and in accordance with the provisions of the Company's memorandum of association and bye-laws) any capital distribution to holders of Shares (in their capacity as such) or shall grant to such holders rights to acquire for cash assets of the Company or any of its Subsidiaries, the Conversion Price in force immediately prior to such capital distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E - F}{E}$$

where:

E = the closing price per Share on the Stock Exchange on the dealing day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced (whether or not such capital distribution or grant is subject to the approval of the holders of Shares or other persons) or (if there is no such announcement) immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant (or, where there is no closing price on such dealing day, the closing price on the dealing day on which there was a closing price immediately preceding the relevant date); and

F = the amount calculated by dividing the fair market value on the day of such announcement or (as the case may require) the day immediately preceding the date on which the Share is traded ex such capital distribution or, as the case may be, the grant, as determined in good faith by an approved merchant bank or the auditors of the Company, of such capital distribution or of such rights by the number of Shares participating in such capital distribution or, as the case may be, in the grant of such rights,

PROVIDED THAT:

(a) if in the opinion of the relevant approved merchant bank or the auditors of the Company, the use of the fair market value as aforesaid produces a result which, having regard to the relative interests of the persons affected thereof, is significantly inequitable, it may instead determine and in such event the above formula shall be construed as if F meant the portion of the said closing price which should, in its opinion, properly be attributed to the value of the relevant capital distribution or rights; and

(b) the provisions of this paragraph (3) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the day next following the record date for the relevant capital distribution or grant.

(4) If and whenever the Company shall offer to holders of Shares new Shares for conversion by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 90% of the market price as at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:

(a) the total amount (if any) payable for the rights, options or warrants being offered or granted; and

(b) the total amount payable for all of the new Shares being offered for conversion or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for conversion or comprised in the options or warrants being granted.

PROVIDED THAT the provisions of this paragraph (4) shall not apply to any option or warrant granted, issued or existing prior to the date of the Bond Instrument, or to any Share Option Scheme(s), or to any issue of Shares pursuant to the terms of any of such options or warrants.

Such adjustment shall become effective (if appropriate retroactively) from the day next following the record date for the relevant offer or grant.

(5) (a) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of conversion for new Shares, and the total Effective Consideration (as defined below) per new Share initially receivable for such securities is less than 90% of the market price as at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

where:

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the total Effective Consideration receivable for such securities would purchase at such market price; and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the conversion rights conferred by, such securities at their relative initial conversion or exchange rate or conversion price.

PROVIDED THAT the provisions of this sub-paragraph (a) shall not apply to any securities issued or existing prior to the date of the Bond Instrument, or to any issue of Shares pursuant to the terms of any of such securities.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business on the Business Day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or conversion price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of holders of Shares or other persons) and the date of such announcement is earlier than the said date, the Business Day immediately preceding the date of such announcement.

(b) If and whenever the rights of conversion or exchange or conversion attached to any such securities as are mentioned in sub-paragraph (a) of this paragraph (5) are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 90% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or conversion, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by following fraction:

$$\frac{M + N}{M + O}$$

where:

M = the number of Shares in issue immediately before the date of such modification;

N = the number of Shares which the total Effective Consideration receivable for such securities at the modified conversion or exchange rate or conversion price would purchase at such market price; and

O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the conversion rights conferred by, such securities at their relative modified conversion or exchange rate or conversion price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or conversion shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or conversion terms.

(c) For the purposes of this paragraph (5):

(i) the "total Effective Consideration" receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the conversion rights attaching thereto; and

(ii) the total Effective Consideration per new Share initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the conversion rights attaching thereto at the initial conversion price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

(6) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90% of the market price as at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for such issue would purchase at such market price; and

R = the number of Shares allotted pursuant to such issue.

Such adjustment shall become effective on the date of the issue.

(7) If and whenever the Company shall be permitted by law and, by the rules of the Stock Exchange and in accordance with the provisions of its memorandum of association and bye-laws to purchase and shall make an offer or invitation to holders of Shares to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission or equivalent authority and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the Conversion Price, at that time the Directors shall appoint an approved merchant bank or the auditors of the Company to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank or the auditors of the Company shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, an adjustment to the Conversion Price shall be made in such manner as such approved merchant bank or the auditors of the Company shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which such purchase by the Company are made.

In this appendix, unless the context otherwise requires, the following terms shall have the meanings as set out below:

"announcement"	includes the release of an announcement to the press or the delivery or transmission by telephone, facsimile transmission or otherwise of an announcement to the Stock Exchange
"approved merchant bank"	an independent reputable merchant bank or other reputable financial institution in Hong Kong selected by the Directors
"Business Day"	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"capital distribution"	(without prejudice to the generality of that phrase) includes distributions in cash or specie, and any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution

"Conversion Date"	the date a Bondholder delivers the duly completed Conversion Notice together with other relevant documents to the Company's principal place of business in Hong Kong
"Conversion Notice"	the notice of conversion for use in conversion of the Convertible Bonds which is endorsed on the Certificate in respect of such Convertible Bonds
"date of announcement"	the date on which the announcement is first so released, delivered or transmitted and "announce" shall be construed accordingly
"issue"	includes allot
"market price"	the average of the closing prices of one Share on the Stock Exchange for the five consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on or as of which the market price is to be ascertained
"reserves"	includes unappropriated profits
"rights"	includes rights in whatsoever form issued
"Shares"	includes, for the purposes of Shares comprised in any issue, distribution, offer or grant pursuant to paragraphs (2), (3), (4), (5) or (6) above, any such shares of the Company as, when fully paid, will be Shares
"Share Option Scheme(s)"	the share option scheme(s) adopted and to be adopted by the Company from time to time
"Subsidiaries"	the subsidiaries of the Company for the time being and from time to time

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

Authorized:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
4,741,266,325	Shares	474,126,632.50

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 or the Consideration Shares to be issued upon exercise of the CM Yinke Put Option (as the case may be), when fully paid and allotted, will rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue of the relevant Conversion Shares or the Consideration Shares (as the case may be).

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

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

3. DISCLOSURE OF INTERESTS

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

Long positions

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

	Number of issued Shares/ underlying Shares				
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*	159,404,314	*3 & 4*	3.49%
Ms. Qiu Ping, Maggie	2,401,200	2	—	—	0.05%

(b) ***Convertible debenture 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*	—	—	0.08%
Ms. Qiu Ping, Maggie	1,600,800	2	—	—	0.03%

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. 141,230,827 Shares are beneficially owned by Magicgrand. Magicgrand is directly and indirectly wholly owned by Mr. Li, Alan.

4. 18,173,487 Shares are beneficially owned by Pairing Venture Limited, which is incorporated in the British Virgin Islands. Pairing Venture Limited is wholly owned by Mr. Li, Alan.

(c) ***Directors' Interest in share options***

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per Share *(HK$)*
Mr. Li, Alan	1,800,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	1,800,000		8 January 2017 to 7 January 2020	1.0
	2,400,000		8 January 2018 to 7 January 2020	1.0
Mr. Lu Zhenwei	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Academician Yao Jiannian	900,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	900,000		8 January 2017 to 7 January 2020	1.0
	1,200,000		8 January 2018 to 7 January 2020	1.0

Name of Director	Number of share options held	Date of grant	Exercisable period	Exercise price per Share *(HK$)*
Mr. Yang Baiqian	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Ms. Qiu Ping, Maggie	900,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	900,000		8 January 2017 to 7 January 2020	1.0
	1,200,000		8 January 2018 to 7 January 2020	1.0
Mr. Kwan Kai Cheong	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Mr. Yen Yuen Ho, Tony	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0
Mr. Shi Dinghuan	600,000	8 January 2015	8 January 2016 to 7 January 2020	1.0
	600,000		8 January 2017 to 7 January 2020	1.0
	800,000		8 January 2018 to 7 January 2020	1.0

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

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

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

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director, persons other than a Director who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO were as follows:

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

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
China Merchants	Interest in controlled corporation	670,649,686	1,548,002,460	46.79%
CM Bank	Interest in controlled corporation	—	552,111,650	11.64%
CM Securities	Interest in controlled corporation	—	552,111,650	11.64%
CM Fund	Beneficial owner	—	552,111,650	11.64%
CM Yinke	Beneficial owner	—	555,854,810	11.72%

Name of shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company
Snow Hill Developments Limited *(note 1)*	Beneficial owner	103,111,436	—	23.43%
	Interest in controlled corporation	567,538,250	440,036,000	
CMNEG *(note 2)*	Beneficial owner	567,538,250	440,036,000	21.25%
EBOD	Beneficial owner	202,806,000	79,948,000	7.04%
	Interest in controlled corporation	51,171,621	—	
Wang Baixing	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli Science and Technology Group Co., Ltd. *(note 3)*	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli Talesun Solar Co., Ltd. *(note 4)*	Interest in controlled corporation	299,922,000	79,948,000	8.01%
Zhongli *(note 5)*	Beneficial owner	299,922,000	79,948,000	8.01%
Fosun International Limited *(note 6)*	Interest in controlled corporation	70,924,000	169,531,250	5.07%
Fosun International Holdings Limited *(note 7)*	Interest in controlled corporation	70,924,000	169,531,250	5.07%
Guo Guangchang	Interest in controlled corporation	70,924,000	169,531,250	5.07%

Notes:

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

2. CMNEG is indirectly owned as to 79.36% by China Merchants and as to 20.64% by Magicgrand. Magicgrand is directly and indirectly wholly owned by Mr. Li, Alan.

3. Zhongli Science and Technology Group Co., Ltd. is directly owned as to 46.94% by Mr. Wang Baixing.

4. Zhongli Talesun Solar Co., Ltd. is directly owned as to 74.81% by Zhongli Science and Technology Group Co., Ltd.

5. Zhongli is directly and wholly owned by Zhongli Talesun Solar Co., Ltd.

6. Fosun International Limited is indirectly owned as to 79.60% by Fosun International Holdings Limited.

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

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at the Latest Practicable Date, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

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

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

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

5. DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

As at the Latest Practicable Date, CM Yinke had entered into the Equity Transfer Agreement and the Options Agreement. Each of Mr. Lu Zhenwei and Mr. Yang Baiqian, executive Director and non-executive Director of the Company respectively, also held senior positions in CM Yinke.

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

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group or the Target Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group or the Target Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Goldin Financial Limited ("**Goldin**")	Independent Financial Adviser, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
American Appraisal China Limited ("**American Appraisal**")	Independent valuer
PwC	Certified Public Accountants

Goldin, American Appraisal and PwC have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their respective reports or letters or opinion as set out in this circular and references to their names in the form and context in which they appear in this circular respectively.

As at the Latest Practicable Date, Goldin, American Appraisal and PwC did not have 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, Goldin, American Appraisal and PwC did not have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following material contracts 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 framework agreement dated 2 August 2013 entered into between CSPG and Zhongli Photovoltaic Science and Technology Group Co., Ltd.* (中利騰暉光伏科技有限公司) ("**Zhongli Photovoltaics**") 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 300 MW;

(2) the framework agreement dated 22 August 2013 entered into among the Company, GD Solar Company Limited* (國電光伏有限公司) ("**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 of China Electronics Technology Group Corporation* (中國電子科技集團有限公司第四十八所) ("**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 400 MW;

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

(4) 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, United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司) ("**UP (Shenzhen)**"), 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**") ("**6 September 2013 SPA**") from Suzhou Zhong Fu by CSPG, UP Shenzhen and Huabei Expressway, the consideration for the acquisition of the 50% equity interest in Fengxian Huize by CSPG and UP Shenzhen 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 and such transaction was completed on 27 December 2013;

(5) the agreement dated 6 September 2013 entered into among the Company, Huabei Expressway and the Fengxian Huize in relation to the proposed acquisition of the 50% equity interest in Fengxian Huize to be held by Huabei Expressway by the Company 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;

(6) 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;

(7) the subscription agreement dated 27 September 2013 entered into among Seven Points Enterprises Inc., Financial Vantage Limited, York Credit Opportunities Investments Master Fund, L.P., York Asian Opportunities Investments Master Fund, L.P., York Global Finance Fund, L.P. (the "**Purchasers**"), all independent third parties, the Company as issuer, Profit Icon Investments Limited ("**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 (the "**Bonds**");

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

(9) 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**");

(10) the English share mortgage dated 8 October 2013 entered into among the Company, Profit Icon, CSPG, Faster Assets, Sky Cypress Limited ("**Sky Cypress**"), Fortune Arena 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;

(11) the Hong Kong share mortgage dated 8 October 2013 entered into among CTNE, Sino Delight, Upper Light, Sky Cypress, 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;

(12) 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 the 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, Profit Giant as part of the securities for the Bonds;

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

(14) 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**");

(15) 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, at the price of HK$1.70 per placing share;

(16) 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;

(17) 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 500 MW 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;

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

(19) 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;

(20) 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 and BNYM to supplement the provisions of the 8 October 2013 Trust Deed;

(21) 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;

(22) 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;

(23) the framework agreement dated 27 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 195 MW;

(24) the sale and purchase agreement dated 13 December 2013 entered into among Zhongli Photovoltaic, 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**"), 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 New Energy Company Limited* (常州鼎暉新能源有限公司) ("**Changzhou Dinghui**") from Zhongli Photovoltaics 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;

(25) 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;

(26) the completion agreement dated 15 December 2013 entered into between UP (Shenzhen), CSPG, Huabei Expressway and Suzhou Zhong Fu in relation to various issues towards the completion of the acquisition of Equity Interest in Fengxian Huize;

(27) 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, UP (Shenzhen) and Huabei Expressway for the electricity income guarantee;

(28) 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 the Chahaeryouyiqianqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 50 MW that have achieved on grid connection successfully, from Jiansu Yongneng to UP (Changzhou) for a consideration of RMB86,793,500 (equivalent to approximately HK$109,359,810), and such transaction was completed on 27 March 2014;

(29) 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 the Wulatehouqi, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40 MW that have achieved on grid connection successfully, from Jiansu Yongneng to UP (Changzhou) for a consideration of RMB72,263,900 (equivalent to approximately HK$91,052,514), and such transaction was completed on 28 March 2014;

(30) 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 the Tuoketuo County, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 40 MW 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 (equivalent to approximately HK$99,552,361), and such transaction was completed on 4 April 2014;

(31) 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 the Tumotezuoqi Town, Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 65 MW 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 (equivalent to approximately HK$83,853,000);

(32) 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 (equivalent to approximately HK$6,930,000), and such transaction was completed on 13 June 2014;

(33) 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 Technology Co., Ltd.* (華為技術有限公司) ("**Huawei**") in relation to the proposed acquisition from CTIEC certain companies which own solar power plants located in China, Europe, North America and Japan with an aggregate

installed capacity of approximately 500 MW 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%;

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

(35) 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 alia*s, 480,000,000 new Shares were issued and allotted at the price of HK$1.72 per Share on 29 January 2014;

(36) the 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 crowdfunding platform in China;

(37) the 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 gigawatt, 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;

(38) the 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**");

(39) the 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;

(40) the conditional sale and purchase agreement dated 14 April 2014 entered into between the Company and Yingli Energy (China) Company Limited* (英利能源(中國)有限公司) in relation to the proposed acquisition of the equity interests in certain project companies which own certain ground-based solar power plants with an aggregate installed capacity of not less than 300 MW from 2014 to 2016, subject to the fulfilment 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;

(41) the 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;

(42) the 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**") in relation to (i) the purchase of the entire equity interest in Gonghe County Xinte Photovoltaic 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;

(43) the conditional sale and purchase agreement dated 27 August 2014 entered into by the Company, Power Solar Investments Limited and Mr. Chung Rai Lin in relation to the disposal of 70% of the entire issued share capital of Fortune Arena for a consideration of HK$210,000,000, and such transaction was completed on 28 October 2014;

(44) the deed of settlement dated 22 September 2014 entered into between CSPG and GCL-Poly Investment Limited ("**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, all of which were concluded on the same date;

(45) the Cooperation Agreement dated 31 October 2014 entered into between the Company, CM Yinke, China Merchants Wealth Asset Management Limited* (招商財富資產管理有限公司) ("**CM Wealth**") and CM Trenda, in relation to (i) proposed joint acquisition by the Company and CM Yinke of Changzhou Guangyu New Energy Company Limited*

(常州光昱新能源有限公司)which owns two on-grid connected solar power plant projects in Xinjiang Province, the PRC with an approximate aggregate installed capacity of 80 MW; (ii) proposed issue of convertible bond in the principal amount of approximately HK$529,200,000 by the Company to CM Wealth; and (iii) the conditional call and put options of the Company and CM Yinke in respect of the equity interest to be owned by CM Yinke;

(46) the solar power projects development agreement dated 16 December 2014 entered into between 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) ("**CM Zhangzhou Trenda**"), and China Merchants Logistics Holdings Co., Ltd.* (招商局物流集團有限公司) ("**CMLH**"), pursuant to which CMLH would undertake project development work in areas selected by CM Zhangzhou Trenda with the recommendation of CMLH based on the existing network of CMLH at the fee to be calculated on the basis of RMB0.10 per watt for each successfully completed project;

(47) the rooftop solar power plants framework agreement dated 16 December 2014 entered into between CM Zhangzhou Trenda and CMLH pursuant to which, among others, (i) CMLH agreed to lease to CM Zhangzhou Trenda certain rooftops of warehouses, distribution centers and other logistics network buildings being built or to be built in Xinjiang, Qingdao, Kunming, Ningbo and Hefei, for the installation of rooftop solar power plants at the annual rate from RMB1.0 to RMB2.0 per square meter during the term of agreement; and (ii) CMLH agreed to undertake reinforcement construction work at the cost of CM Zhangzhou Trenda on such rooftops according to the requirements specified by CM Zhangzhou Trenda to ensure solar power plants can be safely installed on such roofs;

(48) the strategic cooperation agreement entered into between the Company and NARI Electricity Design Company Limited* (南瑞電力設計有限公司) ("**NARI Electricity**") on 17 December, 2014 in relation to, among others, the proposed acquisition of (a) the solar power plants developed by NARI Electricity; or (b) NARI Electricity's shareholding in joint venture(s) established by the parties to jointly develop, construct, operate and maintain the solar power plants with an aggregate installed capacity target of not less than 1.5 GW in the coming three year;

(49) the subscription agreement dated 18 December 2014 entered into among CMNEG, Magicgrand (collectively "**Subscribers**"), and the Company as the issuer, pursuant to which the Company conditionally agreed to allot and issue and the Subscribers conditionally agreed to subscribe for an aggregate of 200,000,000 Shares at an aggregate consideration of HK$200,000,000;

(50) the subscription agreement dated 18 December 2014 entered into between Zhongli as the subscriber and the Company as the issuer, pursuant to which the Company conditionally agreed to allot and issue and Zhongli conditionally agreed to subscribe for an aggregate of 180,000,000 Shares at a consideration of HK$180,000,000;

(51) the finance lease agreement dated 19 December 2014 entered into between Zhongli Talesun Gonghe New Energy Limited* (中利騰暉共和新能源有限公司) (the "**Lessee**") and Beijing Culture & Technology Financial Leasing Company Limited* (北京市文化科技融資租賃股份有限公司) (the "**Lessor**") pursuant to which (i) the Lessor will purchase the leased assets from the Lessee for a consideration of RMB220,000,000 (equivalent to approximately HK$277,200,000); and (ii) the Lessor will lease the leased assets back to the Lessee for a period of 8 years at an aggregate lease consideration of RMB293,263,740 (equivalent to approximately HK$369,512,312);

(52) the Equity Transfer Agreement;

(53) the Options Agreement;

(54) the JV Formation Agreement; and

(55) the Subscription Agreement.

10. 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 in connection with Fortune Arena Limited (the disposal of the 70% of the issued share capital of Fortune Arena Limited was completed on 28 October 2014), the Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company were made up.

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 A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong;

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

(d) The auditor of the Company is PwC;

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

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

DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the Equity Transfer Agreement;

(b) the Options Agreement;

(c) the JV Formation Agreement;

(d) the Subscription Agreement;

(e) 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;

(f) the circular of the Company dated 8 October 2014 in relation to the very substantial disposal of 70% of the entire issued share capital of Fortune Arena Limited;

(g) the circular of the Company dated 12 January 2015 in relation to connected transaction in relation to subscription of new shares under specific mandate; and

(h) this circular.

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)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of United Photovoltaics Group Limited (the "**Company**") will be held at Unit 1407, 14/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 17 March 2015 at 3:00 p.m. for the purpose of considering, and if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT:**

(i) the conditional equity transfer agreement dated 23 January 2015 entered into among China Merchants Zhangzhou Development Zone Trenda Solar Limited ("**CM Trenda**") as vendor and Shenzhen China Merchants Yinke Investment Management Limited ("**CM Yinke**") and United Photovoltaics (Changzhou) Investment Co., Ltd. ("**UP (Changzhou)**"), a wholly owned subsidiary of the Company, as purchasers in relation to the proposed acquisition of 51% of the equity interest in Changzhou Guangyu New Energy Company Limited (the "**Target Company**") by UP (Changzhou) (the "**Acquisition**") and the proposed acquisition of 49% of the equity interest in the Target Company by CM Yinke (the "**Equity Transfer Agreement**") (a copy of which marked "**A**" has been produced to the Meeting and signed by the chairman of the Meeting for the purposes of identification) and the transactions contemplated thereunder (including without limitation the contribution of up to RMB364,358,560 by UP (Changzhou) to increase the registered capital of the Target Company) be and are hereby approved, confirmed and ratified;

(ii) subject to the fulfillment of the conditions of the Equity Transfer Agreement, any one director of the Company ("**Director(s)**") be and is hereby authorized to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Equity Transfer Agreement; and

(iii) all other transactions contemplated under the Equity Transfer Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Equity Transfer Agreement and the Acquisition, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

2. "**THAT**:

(i) subject to and conditional upon the passing of resolution numbered 1 above, the conditional future acquisition arrangement agreement dated 23 January 2015 entered into among the Company, CM Yinke and UP (Changzhou) in relation to the Company granting CM Yinke a put option whereby CM Yinke could request the Company to acquire part or all of the 49% equity interest in the Target Company to be held by CM Yinke (the "**CM Yinke Put Option**") and CM Yinke granting the Company a call option whereby the Company could request CM Yinke to sell to the Company all of the 49% equity interest in the Target Company to be held by CM Yinke (the "**Options Agreement**") (a copy of which marked "**B**" has been produced at the Meeting and signed by the chairman of the Meeting for the purposes of the identification) and the transactions contemplated thereunder (including the grant of the CM Yinke Put Option to CM Yinke by the Company) be and are hereby approved, confirmed and ratified;

(ii) subject to the fulfillment of the conditions of the Options Agreement, any one Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Options Agreement to, including without limitation, allot and issue shares of the Company as may be required to be issued upon the exercise of the CM Yinke Put Option (the "**Consideration Shares**");

(iii) subject to the fulfilment of the conditions of the Options Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue, credited as fully paid, the Consideration Shares in accordance with the terms of the Options Agreement; and

(iv) all other transactions contemplated under the Options Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Options Agreement, the grant of the CM Yinke Put Option to CM Yinke and the allotment and issue of the Consideration Shares upon exercise of the CM Yinke Put Option, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

3. "**THAT**:

(i) subject to and conditional upon the passing of resolution numbered 1 above, the conditional agreement dated 9 February 2015 entered into between CM Yinke and UP (Changzhou) in relation to the formation of a joint venture (the "**Joint Venture**") in respect of the Target Company (the "**JV Formation Agreement**") (a copy of which marked "**C**" has been produced at the Meeting and signed by the chairman of the Meeting for the purposes of the identification) and the transactions contemplated thereunder (including the entering into by UP (Changzhou) a joint venture contract (the "**JV Contract**") and the articles of association (the "**Articles**") in respect of the Target Company in accordance with the terms of the JV Formation Agreement upon completion of the Equity Transfer Agreement) be and are hereby approved, confirmed and ratified;

(ii) subject to the fulfillment of the conditions of the JV Formation Agreement, any one Director be and is hereby authorized to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the JV Formation Agreement to, including without limitation, form the Joint Venture; and

(iii) all other transactions contemplated under the JV Formation Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the JV Formation Agreement, the JV Contract, the Articles and the Joint Venture, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

4. "**THAT**:

(i) the conditional subscription agreement dated 23 January 2015 entered into between China Merchants Fund Management Limited ("**CM Fund**") as subscriber and the Company as issuer in relation to subscription of a 3-year term 7.5% convertible bonds of the Company in the principal amount of up to HK$529,000,000 (the "**Convertible Bonds**") by CM Fund (the "**Subscription Agreement**") (a copy of which marked "**D**" has been produced at the Meeting and signed by the chairman of the Meeting for the purposes of the identification) and the transactions contemplated thereunder (including the provision of security over certain assets acquired by UP (Changzhou) under the Acquisition pursuant to the Subscription Agreement (the "**Security**") and the issue of the Convertible Bonds) be and are hereby approved, confirmed and ratified;

(ii) subject to the fulfillment of the conditions of the Subscription Agreement, any one Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Subscription Agreement to, including without limitation, issue the Convertible Bonds and grant the Security;

(iii) subject to the fulfilment of the conditions of the Subscription Agreement, the Directors be and are hereby authorized to exercise the mandatory conversion rights of the Company to convert the outstanding principal amount of the Convertible Bonds into shares of the Company in accordance with the terms of the Convertible Bonds (the "**Mandatory Conversion**") as might in their opinion be desirable, appropriate or expedient and the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue, credited as fully paid, the shares of the Company as may be required to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds; in payment of the accrued but unpaid interest under the Convertible Bonds; and/or upon a Mandatory Conversion in accordance with the terms of the Convertible Bonds; and

(iv) all other transactions contemplated under the Subscription Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement, the issue of the Convertible Bonds, adjustment of the conversion price of the Convertible Bonds in accordance with their terms, the allotment and issue of the Conversion Shares and the Mandatory Conversion and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 27 February 2015

Notes:

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

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

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, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof. Completion and return of the proxy form 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 resolutions set out herein and are 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 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.