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

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

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

GOLDPOLY NEW ENERGY HOLDINGS LIMITED

金保利新能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 92.17% OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA MERCHANTS NEW ENERGY HOLDINGS LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS; AND (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

Financial Adviser to the Company

富強金融資本
FORTUNE FINANCIAL CAPITAL

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

VEDA | CAPITAL
智略資本

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

A letter from the Board is set out from pages 46 to 157 of this circular. A letter from the Independent Board Committee is set out from pages 158 to 159 of this circular. A letter from Veda Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out from pages 160 to 215 of this circular.

A notice convening the SGM to be held at Monet Room, B1, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 29 May 2013 at 3:00 p.m. is set out from pages 384 to 388 of this circular. A form of proxy for the SGM is enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purpose only*

10 May 2013

CONTENTS

Page

DEFINITIONS 1

GLOSSARY AND TECHNICAL TERMS 13

RISK FACTORS 15

INDUSTRY OVERVIEW 31

LETTER FROM THE BOARD

INTRODUCTION 46

PART A — THE ACQUISITION 47

1. Sale and Purchase Agreement 47
2. The Consideration Shares 61
3. Convertible Bonds 63
4. Reasons for the Proposed Acquisition 69
5. Financial and Trading Prospects of the Enlarged Group 72
6. Financial Effects of the Proposed Acquisition 73
7. Implications of the Acquisition Under the Listing Rules 73
8. Shareholding Structure Before and After Completion of the Proposed Acquisition 74
9. Information of the Vendors 77

PART B — INFORMATION ON THE TARGET GROUP 79

1. History of the Target Group 81
2. Competitive Strengths of the Target Group 89
3. Business and Business Plan for the Target Group 92
4. Operation Process 124
5. Overview of Applicable PRC Regulations 129
6. Legal Proceedings 140
7. Intellectual Property 140

CONTENTS

Page

PART C — PROPOSED CONTINUING CONNECTED TRANSACTIONS 141

PART D — PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL 152

PART E — BIOGRAPHIES OF DIRECTORS AND MANAGEMENT 152

1. Management Experience of the Group 152

2. Biographies of Proposed Directors 153

PART F — SGM 155

PART G — RECOMMENDATIONS 156

PART H — ADDITIONAL INFORMATION 157

LETTER FROM THE INDEPENDENT BOARD COMMITTEE 158

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER 160

APPENDIX I — FINANCIAL INFORMATION OF THE GROUP 216

APPENDIX II — FINANCIAL INFORMATION OF THE TARGET GROUP 217

APPENDIX III — MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP AND THE TARGET GROUP 279

APPENDIX IV — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP 314

APPENDIX V — VALUATION REPORT ON THE CONCESSION RIGHTS 329

APPENDIX VI — REPORT FROM THE REPORTING ACCOUNTANT AND LETTER FROM THE FINANCIAL ADVISER IN RELATION TO VALUATION REPORT ON THE CONCESSION RIGHTS 363

APPENDIX VII — GENERAL INFORMATION 367

NOTICE OF SPECIAL GENERAL MEETING 384

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Affiliates"	(a) the affiliates of any body corporate means any body corporates, non-body corporates or individuals which/who (i) directly or indirectly control such body corporate, or (ii) are directly or indirectly controlled by such body corporate, or (iii) are under direct or indirect common control with such body corporate; and (b) the affiliates of any individual means his/her relatives, or any body corporates, non-body corporates or individuals which/who (i) directly or indirectly control such individual or his/her relatives, or (ii) are controlled by such individual or his/her relatives, or (iii) are under direct or indirect common control with such individual or his/her relatives; for the purpose of this definition, "control" means the power of a person to secure that the policies and affairs of another are conducted and decisions made directly or indirectly in accordance with the wishes of that person by means of: (a) in the case of a company, being the beneficial owner of more than 50 per cent. of either the issued share capital of that company or of the voting rights in that company, or having the right to appoint or remove a majority of the directors or otherwise control the votes at board meetings of that company by virtue of any powers conferred by the articles of association, shareholders' agreement or any other document regulating the affairs of that company; (b) in the case of a partnership, being the beneficial owner of more than 50 per cent. of the capital of that partnership, or having the right to control the composition of or the votes to the majority of the management of that partnership by virtue of any powers conferred by the partnership agreement or any other document regulating the affairs of that partnership; and "controlled" shall be construed accordingly
"Announcements"	the announcements dated 18 January 2013 and 31 March 2013 made by the Company in respect of the Acquisition

"Annual Caps"	the estimated annual monetary values of the categories of Continuing Connected Transactions as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" in this circular for the three financial years ending 31 December 2015
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Authorised Share Capital Increase"	the proposed increase in the existing authorised share capital of the Company from HK$500,000,000 divided into 5,000,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 5,000,000,000 unissued Shares
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds, including all the subsequent transferee(s) of the Convertible Bonds
"Business Day"	any day (other than a Saturday or Sunday or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong at any time from 9 a.m. to 5 p.m.) on which banks in Hong Kong are generally open for business
"BVI"	British Virgin Islands
"China Green"	China Green Holdings Limited (中國綠色控股有限公司), a company incorporated in the BVI with limited liability and one of the Vendors
"CMBL"	招商局保税物流有限公司 (China Merchants Bonded Logistics Co., Limited**), a company established in the PRC and an associate of CMNEG, whose principal activities are provision of warehousing services and logistics services in bonded zones in the PRC
"CMBSS"	招商局漳州開發區博新太陽能科技有限公司 (China Merchants Zhangzhou Development Zone Broad Shine Solar Technology Limited**), a company established in the PRC and a direct wholly-owned subsidiary of CMTST
"CMLH"	招商局物流集團有限公司 (China Merchants Logistics Holdings Co., Ltd.**), a company established in the PRC, an associate of CMNEG whose principal activity is provision of logistic services
"CMNEG"	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the BVI with limited liability and one of the Vendors

"CMNEG Group"	CMNEG and its subsidiaries and associates and for the purpose of this circular, excluding the Target Group and the EBOD Group
"CMSZ"	招商新能源(深圳)有限公司 (China Merchants New Energy (Shenzhen) Ltd.**), a company established in the PRC and a direct wholly-owned subsidiary of New Light
"CMTST"	招商局漳州開發區創達太陽能科技有限公司 (China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited**), a company established in the PRC and is owned as to 91.60% by the Target Company and 8.40% by 北京銀保弘迪股權投資管理中心(有限合夥) (Beijing Yin Bao Hong Di Shareholding Management Centre (Limited Partnership)**), an Independent Third Party
"CM Yinke"	深圳市招商局銀科投資管理有限公司 (Shenzhen China Merchants Yinke Investment Management Limited**), a company established in the PRC and a fellow subsidiary of CMNEG
"Company"	Goldpoly New Energy Holdings Limited (金保利新能源有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the day on which Completion actually occurs in accordance with the terms of the Sale and Purchase Agreement
"Concession Rights"	the development, operation and other rights in relation to certain ground-based and rooftop solar power plant projects with a total capacity of up to approximately 2.16GW which are owned or may be acquired by the Target Group in or prior to the year 2015 as contemplated under certain agreements or framework agreements entered into by the Target Group on or before 31 December 2012
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
"Consideration Shares"	959,462,250 new Shares to be allotted and issued by the Company to the Vendors or their respective nominee(s) at the issue price of HK$1.00 per Consideration Share as partial settlement of the Consideration pursuant to the terms of the Sale and Purchase Agreement

"Continuing Connected Transactions"	the transactions between members of the Group and the connected persons as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" in this circular
"Conversion Period"	means a period commencing from (i) with respect to the Series A Convertible Bonds, the day immediately after the end of the first anniversary of the issue date of the Convertible Bonds and ending on the Maturity Date; or (ii) with respect to the Series B Convertible Bonds, the day immediately following the expiry of the Lock-up Period and ending on the Maturity Date
"Conversion Price"	HK$1.00, being the initial conversion price per Conversion Share upon the exercise of the Conversion Rights attaching to the Convertible Bonds, subject to adjustment under the terms and conditions of the Convertible Bonds
"Conversion Right(s)"	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 new Shares to be allotted and issued by the Company to the Bondholder(s) upon the exercise of the Conversion Right(s) attaching to the Convertible Bonds
"Convertible Bonds"	Series A Convertible Bonds and Series B Convertible Bonds
"CSOSA"	中國深圳外輪代理有限公司 (China (Shenzhen) Ocean Shipping Agency Co., Limited**), a company established in the PRC and an associate of CMNEG, whose principal activity is provision of shipping services
"CTNE"	China Technology New Energy Limited (中國科技新能源有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Target Company
"Director(s)"	the director(s) of the Company
"Ease Soar"	Ease Soar Limited, a company incorporated in the BVI with limited liability and one of the Vendors
"EBOD"	Renewable Energy Trade Board Corporation, a company incorporated in the BVI with limited liability
"EBOD Group"	EBOD and its subsidiaries and associates and for the purpose of this circular, excluding the Target Company

"EIS"	an equity incentive scheme adopted by the Target Company for the benefit of the Participants
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Escrow Agent"	such party as may be agreed in writing by and among the Vendors, the Purchaser and the Company, acting as escrow agent to be jointly appointed by the Vendors, the Purchaser and the Company, the terms of appointment of whom shall have been approved by the Vendors, the Purchaser and the Company
"Faster Assets"	Faster Assets Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Target Company
"Financial Adviser"	Fortune Financial Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the financial adviser of the Company to advise the Company in connection with the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Fortune Wheel"	Fortune Wheel Holdings Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Sino Delight
"GCL-Poly"	GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under the stock code "3800"
"GCL-Poly Group"	GCL-Poly and its subsidiaries
"GCL-Poly Investment"	GCL-Poly Investment Limited (保利協鑫投資有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of GCL-Poly, whose principal activity is developing power related projects
"GCL-Poly (Suzhou)"	保利協鑫(蘇州)新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited**), a company established in the PRC, a wholly-owned subsidiary of GCL-Poly
"GCLPT"	蘇州協鑫光伏科技有限公司 (Suzhou GCL Photovoltaic Technology Co., Ltd.**), a company established in the PRC, an indirect wholly-owned subsidiary of GCL-Poly, whose principal activities are manufacture and sale of wafer

"GCL Solar System"	協鑫光伏系統有限公司 (GCL Solar System Limited**), a company established in the PRC
"Golden Sun Program"	a PRC national solar subsidy program which provides upfront subsides for qualified demonstrative solar projects
"GPQST"	金保利(泉州)科技實業有限公司 (Goldpoly (Quanzhou) Science & Technology Industry Company Limited**), a company established in the PRC, an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hyatt Servicing"	Hyatt Servicing Limited, a company incorporated in the BVI with limited liability and one of the Vendors
"Independent Board Committee"	an independent committee of the Board, comprising Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Yen Yuen Ho, Tony, being all the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps)
"Independent Financial Adviser"	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps)
"Independent Shareholders"	the Shareholders other than Mr. Hung, Jet Mile, Mr. Hong, China Green and their respective associates
"Independent Third Parties"	third parties who are independent of the Company and its connected persons
"Independent Valuer"	American Appraisal China Limited, an independent valuer engaged by the Company to provide assistance to the Group in preparing the Valuation

"Issue Date"	the date on which the Convertible Bonds are issued, being the Completion Date
"Issue Price"	the issue price of HK$1.00 per Consideration Share
"Jet Mile"	Jet Mile Limited, a company incorporated in the BVI with limited liability and is owned as to 66.7% by Mr. Hung and 33.3% by Mr. Hong and a substantial shareholder of the Company
"Jet Mile Convertible Notes"	the convertible notes in the principal amount of HK$850,000,000 issued by the Company on 25 October 2010 to Jet Mile as part of the consideration pursuant to the sale and purchase agreement dated 13 July 2010 (as supplemented by the supplemental agreement dated 19 July 2010) and as disclosed in the announcement and circular of the Company dated 19 July 2010 and 25 September 2010, respectively. On 10 April 2013, part of the convertible notes in the principal amount of HK$37,660,000 was transferred to an Independent Third Party. As at the Latest Practicable Date, the outstanding convertible notes held by Jet Mile amounted to HK$812,340,000, convertible into 1,509,925,651 Shares at the conversion price of HK$0.538
"Jiangsu Zhongding"	江蘇中鼎房地產開發有限責任公司 (Jiangsu Zhongding Real Estate Development Co., Ltd.**), a company established in the PRC
"Jiangsu Zhongli"	江蘇中利騰暉光伏材料銷售有限公司 (Jiangsu Zhongli Talesun Photovoltaic Materials Sales Company Limited**), a company established in the PRC
"Last Trading Day"	22 November 2012, being the date of the Sale and Purchase Agreement
"Latest Practicable Date"	7 May 2013, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it in the Listing Rules
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Lock-up Period"	the period during which the Series B Convertible Bonds in the total principal amount of HK$847,964,000 are held under escrow and not yet released pursuant to the escrow arrangement as disclosed in the paragraph under "Letter from the Board — Part A — The Acquisition — 1. Sale and Purchase Agreement — Consideration" in this circular

"Long Stop Date"	30 September 2013 or such later date as the Parties may from time to time agree in writing
"LPTQ"	凌陽能源科技(泉州)有限公司 (Linsun Power Technology (Quanzhou) Corp. Ltd.**), a company established in the PRC and an indirect wholly-owned subsidiary of EBOD, whose principal activity is manufacturing of solar PV modules
"Magicgrand"	Magicgrand Group Ltd., a company incorporated in the BVI with limited liability
"Maturity Date"	the date falling on the fifth anniversary of the Issue Date
"Ministry of Finance"	the Ministry of Finance of the PRC
"Mr. Hong"	Mr. Hong Zhonghai, a substantial shareholder of the Company
"Mr. Hung"	Mr. Hung Chao Hong, a substantial shareholder of the Company
"New Light"	New Light Technology Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of CTNE
"Pairing Venture"	Pairing Venture Limited, a company incorporated in the BVI with limited liability
"Participants"	the directors, employees and consultants of the Target Company, who are eligible to participate in the EIS
"Parties"	the Vendors, the Purchaser and the Company, being the parties to the Sale and Purchase Agreement, and the word "Party" shall be construed accordingly
"PRC" or "China"	the People's Republic of China which for the purpose of this circular does not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Profit"	the aggregate profit of the Target Group for the Profit Guarantee Period, as more particularly described under the paragraph headed "Profit Guarantee and Adjustment to the Consideration" in the "Letter from the Board" in this circular
"Profit Giant"	Profit Giant Holdings Limited (喜順控股有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Upper Light

"Profit Guarantee"	the guarantee for the Profit of not less than HK$495,000,000 during the Profit Guarantee Period given by each of the Vendors in favour of the Purchaser and the Company
"Profit Guarantee Period"	the three financial years from 1 January 2013 up to 31 December 2015, or in the event that the Profit is not less than HK$495,000,000 in the two financial years from 1 January 2013 up to 31 December 2014, the Board shall be entitled to (but shall not be obliged to) shorten the Profit Guarantee Period to the two financial years from 1 January 2013 up to 31 December 2014
"Purchaser"	Profit Icon Investments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 22 November 2012 (as amended by a supplemental agreement dated 31 March 2013) entered into among the Vendors, the Purchaser and the Company in respect of the sale and purchase of the Sale Shares
"Sale Shares"	530,000,000 ordinary shares with par value of US$0.01 each of the Target Company legally and beneficially owned by the Vendors, representing 92.17% of the issued share capital in the Target Company, which have been issued and are fully paid or credited as fully paid
"Series A Convertible Bonds"	the convertible bonds in the total principal amount of HK$312,483,750 to be issued by the Company to the Vendors or their respective nominee(s) upon Completion as partial settlement of the Consideration pursuant to the terms of the Sale and Purchase Agreement
"Series B Convertible Bonds"	the convertible bonds in the total principal amount of HK$847,964,000 to be issued by the Company to the Vendors or their respective nominee(s) upon Completion as partial settlement of the Consideration pursuant to the terms of the Sale and Purchase Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be held on 29 May 2013 at 3:00 p.m. as set out from pages 384 to 388 of this circular to consider and if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment of the Consideration Shares, the Convertible Bonds, the Conversion Shares; (ii) the Specific Mandate; (iii) the Continuing Connected Transactions (including the proposed Annual Caps)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Options"	share options of the Company granted under its three share option schemes (of which two were adopted on 10 September 2002 and the other was adopted on 19 June 2012)
"Shareholder(s)"	holder(s) of the Shares
"Sino Arena"	Sino Arena Investments Limited, a company incorporated in the BVI with limited liability and one of the Vendors
"Sino Delight"	Sino Delight Developments Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Faster Assets
"Snow Hill"	Snow Hill Developments Limited, a company incorporated in the BVI with limited liability
"Specific Mandate"	a specific mandate to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Consideration Shares and the Conversion Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning assigned to it by section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), save that any reference therein to a company shall be deemed to include a reference to a body corporate incorporated or established outside Hong Kong or under any other ordinances of the Laws of Hong Kong and to any unincorporated body of persons
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases
"Talesun"	Talesun Solar Hong Kong Limited (騰暉電力香港有限公司), a company incorporated in Hong Kong with limited liability and one of the Vendors

"Target Company"	China Merchants New Energy Holdings Limited (招商新能源控股有限公司), a company incorporated in the BVI with limited liability and as at the date of the Sale and Purchase Agreement, had a total issued capital of US$5,750,000 divided into 575,000,000 ordinary shares of US$0.01 each, and is owned as to approximately 47.83% by CMNEG, approximately 17.39% by Ease Soar, approximately 8.69% by China Green, approximately 8.69% by Talesun, approximately 7.83% by the Purchaser, approximately 5.22% by Hyatt Servicing and approximately 4.35% by Sino Arena
"Target Group"	Target Company and its subsidiaries, and each of them a "Target Group Company"
"Tianjin Trendar"	天津創達新能源有限公司 (Tianjin Trendar New Energy Co., Ltd.**), a company established in the PRC, was a direct wholly-owned subsidiary of CMSZ and dissolved on 17 April 2013
"Upper Light"	Upper Light Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Faster Assets
"US$" or "U.S. Dollars"	United States dollar(s), the lawful currency of the United States of America
"Valuation"	the valuation in relation to the fair value of the Concession Rights as at 31 December 2012
"Valuation Report"	the valuation report issued by the Independent Valuer for Valuation
"Vendors"	CMNEG, Ease Soar, China Green, Talesun, Hyatt Servicing and Sino Arena
"XCNE"	廈門創日新能源科技有限公司 (Xiamen Chuangri New Energy Technology Ltd.**), a company established in the PRC and a direct wholly-owned subsidiary of CMTST
"Xuzhou GCL"	徐州協鑫可再生能源電力有限公司 (Xuzhou GCL Renewable Energy Electricity Co., Ltd.**), a company established in the PRC which is owned as to 90% by CMSZ and 10% by 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.**)

"Xuzhou Xinneng"	徐州鑫能可再生能源電力有限公司 (Xuzhou Xinneng Renewable Energy Electricity Co., Ltd.**), a company established in the PRC which is owned as to 51% by CMSZ and 49% by 江蘇協鑫硅材料科技發展有限公司 (Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd.**)
"Zhongli"	中利科技集團股份有限公司 (Zhongli Science and Technology Group Co., Ltd**), a company established in the PRC and the A shares of which are listed on the Shenzhen Stock Exchange
"Zhongli Changzhou"	中利騰暉光伏常州有限公司 (Zhongli Photovoltaic Changzhou Co., Ltd.**), a company established in the PRC and became a direct wholly-owned subsidiary of CMSZ on 24 December 2012 pursuant to the definitive sale and purchase agreement entered into between CMSZ, Zhongli Talesun and Jiangsu Zhongli on 22 December 2012
"Zhongli Gonghe"	中利騰暉共和光伏發電有限公司 (Zhongli Gonghe Photovoltaic Power Co., Ltd.**), a company established in the PRC and a direct wholly-owned subsidiary of Zhongli Changzhou
"Zhongli Jiayuguan"	中利騰暉(嘉峪關)光伏發電有限公司 (Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd.**), a company established in the PRC and a direct wholly-owned subsidiary of Zhongli Changzhou
"Zhongli Talesun"	中利騰暉光伏科技有限公司 (Zhongli Photovoltaic Science and Technology Group Co., Ltd.**), a company established in the PRC
"%"	per cent

* *For identification purpose only*

For illustrative purpose only, amounts denominated in HK$ have been translated into RMB at the rate of HK$1.00 = RMB0.82 in this circular, unless otherwise stated. No representation is made that any amount in RMB or HK$ has been, could have been or could be converted at the above rate or any other rate or at all.

** *Certain English translations of Chinese names or words marked with "**" in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.*

This glossary contains explanations of certain terms used in this circular in connection with our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"BAPV"	Building Attached Photovoltaic
"BIPV"	Building Integrated Photovoltaic
"CAGR"	compound annual growth rate
"EPC"	Engineering, Procurement and Construction
"EPIA"	European Photovoltaic Industry Association
"FiT"	Feed-in-Tariff, a policy mechanism designed to encourage the adoption of renewable energy sources, which typically includes guaranteed grid access, long-term contracts for the electricity produced and purchase prices that are methodologically based on the cost of renewable energy generation
"GDP"	gross domestic product
"GW"	gigawatt, which equals 1,000,000,000 watt
"ingot"	cylindrical silicon brick, which is created when polysilicon is melted, crystallised and pulled in a furnace, and to be sliced into wafers
"KW"	kilowatt, which equals 1,000 watt
"KWh"	kilowatt hour, which equals 1,000 watt hour, unit of energy which refers to the specific amount of energy provided in a 3,600-second time period
"module(s)"	interconnected solar cells encapsulated and protected in transparent materials that protect against humidity, air and mechanical damage, which are normally made with a glass front and aluminum frame
"mono-crystalline silicon"	processed silicon where all the material consists of a single crystal structure
"multi-crystalline silicon"	processed silicon where the material consists of several small (typically 1–20 mm) crystal grains
"MW"	megawatt, which equals 1,000,000 watt
"NDRC"	the National Development and Reform Commission of the PRC

"off-grid PV system"	the PV system that operates on a stand-alone basis to provide electricity independent of an electricity transmission grid. Both crystalline silicon PV modules and thin film PV modules can be used in off-grid systems to provide electricity independent of an electricity transmission grid
"on-grid PV system"	the PV system that is connected to an electricity transmission grid and feeds electricity generated into the electricity transmission grid. Both crystalline silicon PV modules and thin film PV modules can be used in on-grid systems that are connected to an electricity transmission grid and feeds electricity generated into the electricity transmission grid
"photovoltaic" or "PV"	the field of technology and research related to the application of solar cells for energy by converting solar energy (sunlight, including ultra violet radiation) directly into electricity (solar electricity)
"polycrystalline silicon"	processed silicon where the material consists of several small silicon crystals
"Solarbuzz"	Solarbuzz LLC, an international solar energy research and consulting company based in San Francisco, the U.S and an Independent Third Party
"solar cell"	a device manufactured from silicon wafers which convertslight energy into electrical energy
"State Grid"	State Grid Corporation of China, a state-owned enterprise, its core businesses are development and operation of power network nationwide
"TWh"	terawatt hour, which equals 1,000,000,000,000 watt hour, unit of energy which refers to the specific amount of energy provided in a 3,600-second time period
"VAT"	value-added tax
"wafer"	a thin disk made by slicing ingots and used to manufacture solar cells
"watt" or "W"	the unit is defined as one joule per second, which measures the rate of energy conversion or transfer

Set out below are the risks and uncertainties which may be associated with the Acquisition.

RISKS RELATING TO THE SOLAR ENERGY INDUSTRY

The Target Group's business depends on support from PRC government's policies and regulations relating to the solar energy industry

The development and profitability of the Target Group's solar power projects are significantly dependent on policies and regulations that support such development in the PRC. Since 2005, the PRC government has promulgated a series of laws and regulations, including the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》), which provides preferential measures to support the development of renewable energy projects (including solar power plant projects). These preferential measures include, among others, mandatory grid connection and the guaranteed purchase of all the electricity generated from solar power plant projects (subject to periodic transmission limitations in certain areas in the PRC), subsidised on-grid tariffs and tax incentives.

As the regulatory framework in the PRC for solar power projects is relatively new and evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties and may differ from region to region in the PRC. Any reduction, discontinuation or unfavourable application of policies and economic incentives for operation of solar power plant projects could materially and adversely affect the Target Group's business, financial condition, results of operations and prospects. Furthermore, if these favourable policies and incentives are changed or discontinued to the detriment of the Target Group before the Target Group's solar power plant projects become cost effective in a non-subsidised market environment, the Target Group could be forced to compete directly against companies that produce electricity from other energy sources and other more established renewable energy companies, which may enjoy significant cost advantages over the Target Group. As a result, the Target Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Any reductions in the on-grid tariffs or government subsidies for the solar power plants could materially and adversely affect the Target Group's results of operations

The NDRC issued the Circular regarding the Furtherance of On-grid Pricing Policy of Solar Power Generation (《關於完善太陽能光伏發電上網電價政策的通知》) on 24 July 2011, pursuant to which national subsidised standard on-grid tariffs shall apply to the purchase of electricity from solar power plant projects.

In addition to the subsidies on the on-grid tariffs, the PRC government also introduced the Golden Sun Program in 2009 to subsidise the capital investment and construction costs of eligible model solar power plant projects nationwide. A number of solar power plant projects that the Target Group are developing or considering to acquire or develop are eligible for subsidies under the Golden Sun Program.

However, there is no assurance that the government subsidies on on-grid tariffs or other government subsidies for solar power plant projects will not decrease in the future. The on-grid tariffs will be reviewed and approved by the NDRC from time to time with reference to the investment costs and technology changes. Any reductions in the on-grid tariffs or other government subsidies for the

Target Group's existing and future solar power plant projects, or the Target Group's failure to mitigate such reductions by increasing installed capacity or operating efficiency, could materially and adversely affect the Enlarged Group's business, financial condition and results of operations.

The development of new technology may affect market demand for solar energy

There is a variety of energy sources for power generation, for example, thermal power, hydropower, wind power, nuclear power, solar energy and other renewable energies. The development and deployment of new technologies may further broaden the energy sources for power generation and may influence the supply and demand of existing types of powers. For example, the development of new technologies may increase the safety level as well as reducing the cost of nuclear power, which may lead to an increase in the demand for nuclear power.

New technologies may result in lower costs of equipment, higher utilisation and operating efficiency, as well as more stable electricity generation, and may render existing solar power plant projects and technologies uncompetitive or obsolete, which may cause a decline in demand for solar power energy. A decline in demand for solar energy or increase in cost in generating solar power energy could have a material adverse affect on the Target Group's business, financial condition and prospects.

RISKS RELATING TO THE BUSINESS OF THE TARGET GROUP

Lack of experience of the existing management of the Group to operate and manage the Target Group's business and reliance on continued services of key management and employees

The Group is principally engaged in solar energy business with focus on solar silicon cell manufacturing business. The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation. While the Acquisition is intended to enable the Group to achieve a vertical integration of its solar energy business, the Group does not have sufficient experience in the principal business of the Target Group. The existing management and key personnel of the Group lack experience in such business except for Mr. Yiu Ka So, an executive Director, and Academician Yao Jiannian, a non-executive Director who have some relevant experience in respect of such business. Details of their experience are set out in "Letter from the Board — Part E — Biographies of Directors and Management". The development, operation, management of solar power plants business and future success depends significantly on the management of the risks and uncertainties that the Group may face and the continued service of the Enlarged Group's executives and key employees. If the existing management and key personnel of the Group are unable to control the related operational risks of the solar power plants business, or to acquire the necessary skills or the Enlarged Group is unable to hire or retain experienced officers or key personnel, or, alternatively to adequately replace them or hire qualified new executives and employees as its business grows, the prospects, operations and financial performance of the Enlarged Group may be adversely affected.

Target Group's lack of operating history and track record may not serve as adequate basis for evaluating its future performance and there is no assurance that the development and operation of solar power plants business will be successfully developed

The Target Group started the development and operation of solar power plants in 2012. It has limited financial track record for the Shareholders and potential investors to evaluate its business, financial performance and future prospects. Its results of operations for any prior period may not serve as accurate indication of its future performance. The Target Group intends to expand its business of development and operation of solar power plants by self-development of solar power plants and acquisition of solar power plants (including those comprising the Concession Rights) from business partners. Please refer to "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group" and the Valuation Report. However, there is no assurance that the development and operation of solar power plants business to be undertaken by the Enlarged Group will (1) proceed as contemplated under the business and development plans of the Target Group; (2) generate profit and recover the costs for such business; or (3) achieve any targeted result within the anticipated time frame or at all. In the event that the development and operation of solar power plants business to be undertaken by the Enlarged Group is unable to proceed as contemplated, generate profit or achieve targeted result or at all, or the costs of operation of such business cannot be recovered, the Enlarged Group's prospects, results of operations and profitability will be adversely affected.

Shareholders and potential investors should consider the business and prospects of the Enlarged Group in light of the risks and uncertainties the Target Group faces as an early-stage company operating in a rapidly evolving market. The Target Group may not be successful in addressing the risks and uncertainties, which may materially and adversely affect its business prospects.

Target Group's business is highly dependent on solar illumination conditions

The amount of electricity and revenue generated from a solar power plant is highly dependent on solar illumination conditions, which vary across seasons and regions and are difficult to predict. The Target Group bases its investment decisions for each solar power plant on a number of factors including the feasibility studies conducted onsite before starting construction. However, actual climatic conditions at a site, particularly solar illumination conditions, may not conform to the findings of these feasibility studies, and, therefore, the Target Group's solar power plant projects may not meet anticipated production levels, which could adversely affect the Target Group's projected profitability.

In addition, if the seasonal fluctuations in solar illumination conditions at a particular site do not conform to historical observations or assumptions in the projections of the Target Group, it may result in unexpected fluctuations in the power generation of the relevant solar power plant and, consequently, the operation results of the Target Group.

The solar power plants rely on local grid companies for grid connection and electricity transmission

The Target Group must obtain a local grid company's consent to connect its solar power plants to the power grids before construction. Factors that local grid companies may take into consideration in granting such consent may include, among others, the availability of power grids with adequate transmission capacity, the progress of grid construction or system upgrades, the distance between the

preferred solar power plant sites and the local grids, and the cost of additional interconnection facilities. Furthermore, solar power plant projects and other clean energy facilities of the competitors located near the Target Group's solar power plant projects may compete with the Target Group to secure grid connection. Many of these factors are beyond the control of the Target Group. As a result, the Target Group may not be able to obtain all necessary consents from local grid companies in a timely manner, or at all. Any failure to obtain a grid company's consent for grid connection may delay the operation of the Target Group's solar power plants, which could have a material adverse effect on the business, financial condition, results of operations and growth prospects of the Target Group.

The solar power plants business of the Target Group also relies on local grid companies for electricity transmission and despatch services. The revenue to be generated from the solar power plants depends largely upon the sale of electricity and is subject to despatch to power grids, and is controlled by the despatch centers of the local grid companies. The current PRC regulatory framework requires grid companies in the PRC to purchase all electricity generated by solar power plant projects that meet the grid connection standards within the coverage of their grids. However, despatch centers may consider various factors when despatching electricity, including, among others, local demand for electricity, grid connection and despatch agreements between power grids and the transmission capacity of the power grids. In addition, the applicable PRC laws require solar power producers to co-operate with grid companies to ensure the safety of power grids. As a result, the transmission and despatch of the full output of the Target Group's solar power plants may be curtailed due to various transmission limitations, such as grid congestion, restrictions on transmission capacity and restrictions on electricity despatch. The Target Group may develop or acquire some solar power plant projects located in remote areas of the PRC, such as Gansu, Qinghai and Xinjiang, where the local power grids may have insufficient transmission capacity to deliver all the potential electricity that those solar power plant projects could generate when operating under full load, especially during peak seasons. The local power grids may be subject to transmission limitations which may curtail electricity generation of some of the Target Group's solar power plants and impair the Target Group's ability to fully capitalise on those solar power plants' potentials, which in turn could have a material adverse effect on the Target Group's business, financial condition and results of operations. Also, the Target Group may need to install additional equipment or take other measures from time to time to ensure the safe and stable operation of the power grids, which may result in additional costs and in turn adversely affect the Enlarged Group's financial condition.

Target Group relies on a limited number of key customers

The Target Group intends to enter into long-term power purchase agreements with certain key customers, including the local grid companies, GCL-Poly and associates of CMNEG and sell a substantial amount of the electricity generated from the solar power plants to such key customers. Therefore, the Target Group is highly dependent upon such customers fulfilling their obligations under the power purchase agreements.

It cannot be assured that the grid companies will comply with the applicable PRC regulatory framework by purchasing all the electricity generation from solar energy sources and make full and timely payments according to the on-grid tariffs approved, or fixed by, the PRC government. Furthermore, the other key customers, with whom the Target Group may enter into power purchase agreements, may not comply with their contractual obligations under the power purchase agreements or become subject to insolvency or liquidation proceedings during the term of the relevant power purchase

agreement. An inability or failure by such customers to meet their statutory purchase obligations or contractual commitments or the insolvency or liquidation of such customers could have a material adverse effect on the Target Group's business, financial position and results of operations.

Growth of the solar power plants business depends upon the Target Group's ability to convert its pipeline projects into operating projects pursuant to its business plan in a timely manner and realisation of the legally binding framework agreements signed by the Target Group in relation to the Concession Rights into official or definitive acquisition agreements

The Target Group started the development and investment of solar power plants in 2012 and has completed the development of a rooftop solar power plant in Shenzhen Qianhai with initial generation capacity of approximately 2MW by November 2012. As at 31 December 2012, the Target Group had entered into a series of legally binding framework agreements in relation to the solar power plant projects which may be developed or acquired by the Target Group. It is anticipated that the total capacity of the solar power plant projects which are owned or may be acquired by the Target Group in the PRC will be approximately 2.16GW and 5GW by the financial years ending 31 December 2015 and 31 December 2017, respectively.

The realisation and implementation of the framework agreements in connection with the Concession Rights will be subject to, among others, the success of entering into official or definitive acquisition agreements between the parties thereto, and the transactions under the official or definitive acquisition agreements may be required to be approved by the relevant authorities. There is no assurance that all the legally binding framework agreements can be realised and there is no certainty as to what extent such framework agreements can be implemented. The realisation of the framework agreements into official and definitive agreements will be subject to future events, such as agreement by the parties on the consideration, satisfactory due diligence results, the then cash flow and capital sufficiency of the Enlarged Group, prevailing market conditions and level of competition, etc. In the event that the legally binding framework agreements cannot be realised into official or definitive acquisition agreements and the relevant approval(s) from the relevant authorities cannot be obtained on a timely basis, the implementation of business plan in relation to the Concession Rights, the business operations and financial performance of the Target Group may be adversely affected.

The growth and expansion of its total solar power generation capacity as contemplated under the framework agreements or otherwise and its anticipated development plan as referred to in "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group" have placed, and are expected to continue to place, significant demands on its capital, management, administrative and human resources. The prospects of its solar power generation business must be considered in light of the risks and uncertainties encountered by companies competing in this rapidly evolving market. The Target Group may not be successful in completing its pipeline solar power plant projects as anticipated, or at all.

The development and construction of solar power plants involves numerous risks and uncertainties. These risks and uncertainties may prevent some projects from progressing to construction, which cause the Target Group not be able to meet the targets of its development or acquisition plan. The Target Group's ability to develop or acquire solar power plants is dependent on, among other things, the ability to identify and acquire suitable sites for development of solar power plants, the availability of sufficient external financing and transmission lines with adequate capacity, the negotiation and signing of power

purchases agreements and weather conditions, all of which may be beyond the Target Group's control. In addition, the Target Group may decide not to proceed with a pipeline project that it deems unsuitable for development.

Those solar power plants that are under construction and to be acquired as contemplated under the framework agreements or otherwise and its anticipated development plan as referred to in "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group" may not meet the Target Group's return expectations due to schedule delays, cost overruns or revenue shortfalls or they may not generate the production levels that the Target Group anticipates or results in revenue in the originally anticipated time period. Failure to achieve or delay in achieving the targets of the Target Group's development or acquisition plan may also adversely affect the Target Group's ability to generate cash flows necessary to implement its business plan.

Green-field projects and projects under construction present substantial development, construction and start-up risks

Pursuant to the business plan of the Target Group referred in "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group", the Target Group has or will acquire some green-field solar power plant projects and projects under construction which present substantial development, construction and start-up risks. In connection with the development and construction of the solar power plant projects, the Target Group will seek to obtain government permits and approvals, sufficient financing, land purchase or leasing agreements, equipment procurement and construction contracts, as well as operation and maintenance agreements. The Target Group may suffer significant construction delays or construction cost increases as a result of a variety of factors, including:

(1) delays in obtaining various regulatory approvals, licenses or permits from governmental authorities at various levels;

(2) failure to receive adequate bank loans on favourable terms;

(3) shortages or increases in the cost of key equipment, materials or labor;

(4) failure to secure interconnection to transmission lines;

(5) adverse change in solar illumination conditions, or natural disasters, accidents or other unforeseen events;

(6) unforeseen engineering, design, environmental or geological problems; and

(7) strikes and labor disputes.

Any of these factors may cause delays in the completion of the Target Group's solar power plant projects under construction and may increase the cost of pipeline projects. If the Target Group is unable to complete the projects within the timeframe as planned, the construction costs incurred in connection with such projects may increase as a result. Even if these projects can be completed, as a result of project delays, cost overruns, changes in market circumstances or other reasons, the Target Group may

not be able to achieve the intended economic benefits or demonstrate the commercial viability of these projects, which may materially and adversely affect the results of operations, financial condition and growth prospects of the Target Group.

Target Group is subject to significant capital requirement and failure to obtain adequate financing could have a material adverse effect on its financial conditions and prospects of future operations

To fund the investment in the solar power plant projects, the Target Group has incurred significant capital expenditures and expects to continue to have significant construction and capital expenditure requirements in the foreseeable future. As at 31 December 2010, 2011 and 2012, the Target Group had consolidated net current liabilities of RMB5,405,000, RMB4,826,000 and RMB1,420,825,000 respectively. In addition, the Target Group had entered into several cooperation framework agreements for developing solar energy initiatives with net capital expenditure of an estimated amount of RMB3.6 billion to be incurred for the year ending 31 December 2013.

The Target Group expects to meet the needs of its future capital commitment by securing financing from the following sources:

(1) pursuant to a framework agreement entered into between the Target Company and GCL-Poly Investment on 14 November 2012, GCL-Poly Investment or its affiliate will supply wafers or modules at market price up to an amount of RMB5 billion for a period of 36 months with trade credit support, subject to definitive agreements to be entered into by the parties thereto;

(2) In March 2013, CM Yinke, which is a fellow subsidiary of CMNEG, has issued a letter of conditional financial support to the Target Company, by which CM Yinke confirmed that it will assess and make decisions in respect of the solar power plant projects which are being developed by the Target Company or which the Target Company has first rights of refusal to acquire, with a return of not less than 8% per annum. Subject to the compliance with the relevant PRC laws and policies, and CM Yinke is required to assess each project before financing is provided. CM Yinke will provide financing to the Target Company in qualified form to enable it to meet its due liabilities and to ensure there is no material contraction in its continuing business operation for the period commencing from the date of such letter till 30 June 2014. The directors of the Target Company are confident that their existing and future projects would meet the conditions and they would be able to obtain the relevant financial support from CM Yinke as indicated in the letter of conditional financial support. In addition, the directors of the Target Company have also committed that such assessment has to be made on project by project; and

(3) the Target Group has been in discussion with several banks to secure project financing for its planned solar power plant projects. In March 2013, China Development Bank (國家開發銀行) has granted to the Target Group a long-term loan facility of a principal amount of RMB800 million in order to finance the construction of the solar power plant project of Zhongli Jiayuguan acquired by the Target Group.

While the directors of the Target Company are optimistic that the financing mentioned above can be secured, the Target Group cannot assure that it will always be able to raise adequate funding on commercially viable terms to finance its current liabilities and meet its working capital requirement as well as other planned capital requirements. If the Target Group fails to obtain financing from the sources

mentioned above or raise adequate funding otherwise, its ability to expand its business may be hindered and its ability to continue as a going concern/the prospects of its future operations may be materially and adversely affected.

The Valuation on the Concession Rights may be lower

The Valuation on the Concession Rights, which is one of the considerations on which the Group proceeds with the Acquisition, is arrived at by the Independent Valuer in the context of economic outlook and industry overview taken by the Independent Valuer, and on the assumption of accuracy of information, data, framework agreements and agreements in respect of the Concession Rights and representations provided to the Independent Valuer. The Valuation of the Concession Rights may be lower if subsequent events adversely change the basis on which the views taken by the Independent Valuer on the economy of PRC and the solar energy industry in the PRC. Similarly, the value would decline if the assumptions on which the Independent Valuer based for the Valuation are flawed.

Impairment losses relating to the Concession Rights may adversely affect the results of operations of the Enlarged Group

Amortisation of the Concession Rights is calculated using the straight-line method to allocate the cost of exclusive development rights over their estimated useful lives of 25 years. The Concession Rights are reviewed for impairment to determine whether there is any indicator that the carrying value of these assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and the net present value of future cash flows which are estimated based on the continued use of the assets in the business. Should there be any significant adverse changes in the projected performance associated with the Concession Rights, it may be necessary to take an impairment charge to the consolidated income statement of the Enlarged Group. This may have a material adverse effect on the results of operations of the Enlarged Group after Completion of the Acquisition.

Failure to manage the expansion of the Target Group's operations could strain its management, operational, technological and other resources, which could materially and adversely affect its business and prospects

The Target Group intends to continue to expand its operations rapidly and its growth is expected to place substantial demands on its managerial, operational, technological and other resources. In particular, the management of the Target Group's growth will require, among other things:

(1) the Target Group's ability to develop and improve its existing administrative and operational systems;

(2) stringent cost controls and sufficient working capital;

(3) strengthening of financial and management controls; and

(4) hiring, training and retaining the Target Group's personnel.

The Target Group may not be able to manage its current or future operations effectively and efficiently or compete effectively in the solar energy market. If the Target Group is not able to manage its growth successfully, its business and prospects could be materially and adversely affected.

The operations of the Target Group's solar power plant projects may be adversely affected by the failure of key equipment, civil structures or transmission systems, which could result in loss of revenues and increased maintenance costs

The breakdown or failure of any key equipment or civil structure in one or more of the Target Group's solar power plant projects could disrupt the generation of electricity and result in its revenues being lower than expected. Furthermore, any breakdown or failure of the transmission systems could disrupt the transmission of electricity by a power generating project to the local power grid. In addition, if the power grid fails, the Target Group will not be able to deliver the electricity until the grid company carries out the necessary repairs. The breakdown or failure of the power generating projects may also prevent the Target Group from fulfilling its obligations under the applicable power purchase agreements, which, in certain situations, could result in the termination of these agreements or incurring liability for liquidated damages. These events may reduce the ability of the Target Group to generate power, resulting in loss of revenues and increased maintenance costs.

Defects may exist to the title of land and buildings where the solar power plants are operated

Due to the on-going application process necessary to obtain land use rights and building ownership certificates where government approvals at different levels are involved, the Target Group may not be able to obtain the relevant title certificates or permits in a timely manner. In addition, the Target Group generally leases rooftops to run their BAPV. Any defect to the title of the relevant building where BAPV is operated is beyond the control of the Target Group. Accordingly, it cannot be assured that the Target Group's legal rights to use or occupy of the relevant land, rooftops and buildings will not be challenged. If such legal right is challenged, the Target Group's operations or construction on the affected land or in the affected buildings could be interrupted, which, in turn, could have an adverse effect on the business, financial condition and results of operations of the Target Group.

Target Group may fail to comply with laws and regulations in the PRC relating to the development, construction and operation of solar power plant projects

The development, construction and operation of solar power plant project are highly regulated and subject to strict PRC laws and regulations. Pursuant to such laws and regulations, various approvals, permits and licenses are required for development, construction and operation of solar power plant projects, which include, but are not limited to approval for solar power plant project, approval for environmental impacts assessment of the project, approvals for land use, permits for construction of the project, license for electric power business and approvals and permits for direct purchase of electricity and on-grid connection. Procedures for granting such approvals, permits and licenses vary by region and region, and certain projects may not timely receive these approvals, permits and licenses for a variety of reasons. In addition, the target group must comply with laws and regulations relating to the development, construction and operation of solar power plant project, as well as the conditions contained in such approvals, permits and licenses. Failure to do the above may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, permits and licenses. These factors could have an adverse effect on the business, financial conditions and results of operations of the Target Group.

Possible invalidity of tenancy agreements and non-renewal of tenancy agreement of leased premises occupied by the Target Group

The Target Group currently occupies leased premises for its business operations in the PRC. The landlords of three of the leased premises have not provided the Target Group with the building ownership certificate to evidence the legality of their ownership of the premises. Hence, the tenancy agreements for such leased premises may not be valid. The Target Group has entered into seven roof top tenancy agreements for the purpose of developing rooftop power plant projects in different locations. The building ownership certificates for the premises under five of the above rooftop tenancy agreements have not been provided by the relevant landlords, and therefore, those tenancy agreements for the rooftop may not be valid.

Furthermore, the tenancy agreements for four of the leased premises which are used for offices and factories have not been registered. These tenancy agreements will expire on 30 June 2017, 31 December 2013, 31 May 2013 and 10 June 2013, respectively. Registration of those seven tenancy agreements of rooftop for installation of solar power systems have not been completed yet. According to the Administrative Measures on Leasing of Commodity Housing《商品房屋租賃管理辦法》, the tenant and landlord to tenancy agreements which have not been registered with the relevant PRC authority within 30 days after the execution of the same are obligated to rectify such non-compliance and may be subject to a penalty ranging from RMB1,000 to RMB10,000.

In addition, the tenancy agreement for a premises with an area of approximately 2,378 sq. meter which is used by the Target Group as a factory has expired in September 2012 and the parties have not executed any renewed tenancy and the building ownership certificate or tenancy agreement for the domiciles of four subsidiaries of Target Group has not been provided, it is uncertain whether these subsidiaries are entitled to use the subsidiaries as their domiciles.

In the event the Target Group can no longer occupy the leased premises due to the possible invalidity or non-renewals of the tenancy agreement(s) and if there is any legal defect in the Target Group's right to use the premises, it will have to relocate the relevant office or factory or installed systems. If the Target Group cannot find suitable locations or relocate its office or factory or installed systems in a timely manner, its operation may be disrupted, which will adversely affect its financial position and profitability.

Non-compliance of PRC regulations

Pursuant to the Administrative Regulations on the Electric Power Business Licenses (《電力業務許可證管理規定》), an enterprise engaging in electricity generation business shall obtain an electric power business licence. CMSZ, a subsidiary of the Target Group, started its operation of the rooftop solar power plant located in Shenzhen Qianhai District in November 2012 i.e. Project Baoshui as set out in Table C on page 116 and started collecting electricity fee from November 2012, whilst CMSZ had only obtained its electric power business licence on 5 February 2013. Pursuant to the Administrative Regulations on the Electric Power Business Licenses (《電力業務許可證管理規定》), where an enterprise that has not obtained an electric power business license in accordance with law illegally engages in electric power business, the electric power regulatory body shall order it to make correction, confiscate its illegal earnings, and may concurrently impose a fine of not more than 5 times as much as its illegal earnings. Since the total amount of the electricity fee collected by CMSZ before obtaining an electric power business permit was approximately RMB360,682, the estimated maximum penalty amount would

be approximately RMB1.8 million should the electric power regulatory body impose a fine on CMSZ. The delay of CMSZ in obtaining its electric power business licence has given rise to a breach of the Administrative Regulations on the Electric Power Business Licenses《電力業務許可證管理規定》and CMSZ may be subject to penalties imposed by the relevant PRC regulatory authority.

Pursuant to the Regulations of Housing Provident Fund《住房公積金管理條例》, an enterprise shall undertake housing provident fund registration with the relevant governmental department of housing provident fund within 30 days after its establishment. As at the Latest Practicable Date, CMSZ, CMTST, CMBSS, XCNE, Zhongli Changzhou, Zhongli Jiayuguan, Zhongli Gonghe Xuzhou GCL and Xuzhou Xinneng, the subsidiaries of the Target Company, have not yet undertaken housing provident fund registration in breach of the registration requirement and may be subject to a penalty ranging from RMB10,000 to RMB50,000.

Pursuant to the Social Insurance Law《社會保險法》and Provisional Regulations for the Collection and Payment of Social Insurance Premiums《社會保險費征繳暫行條例》, an enterprise shall undertake social insurance registration for its workers with the relevant governmental department of social insurance within 30 days after its establishment. As at the Latest Practicable Date, CMBSS, Zhongli Changzhou, Zhongli Jiayuguan, Zhongli Gonghe, Xuzhou GCL and Xuzhou Xinneng, the subsidiaries of the Target Company have not yet undertaken the social insurance registration in breach of the registration requirement and may be subject to a penalty ranging from RMB1,000 to RMB10,000.

Building ownership certificate for certain buildings has not been obtained

In 2007, CMBSS, a subsidiary of the Target Company, entered into a sale and purchase agreement as a transferee to acquire certain premises with an area of approximately 2,676 sq. meters located at Zhangzhou Development District, Fujian Province. Pursuant to the Law of the People's Republic of China on Administration of Urban Property (《中華人民共和國城市房地產管理法》), the transferee shall apply for the registration of transfer of building ownership with the relevant governmental department and thereafter shall apply for the registration of change in land use right. As at the Latest Practicable Date, CMBSS has not yet completed the registration of change in building ownership and land use right in respect of the aforementioned premises. It is uncertain whether CMBSS has ownership title on the above premises until the registrations have been completed.

Target Group relies on external parties for the construction of the solar power plant projects

The Target Group generally contracts with third-party contractors, suppliers and civil engineering firms for the construction of its solar power plant projects. The successful completion of these projects depends on the ability of these suppliers, contractors and civil engineers to perform their contractual obligations, and is subject to factors beyond the control of the Target Group, including actions or omissions by these suppliers, contractors and civil engineers. Any setbacks, delays in construction or the delivery of supplies, or any deficiencies relating to the work performed by suppliers, contractors and civil engineers that the Target Group engages, may result in delays in the completion of a project and other unforeseen construction costs or budget overruns. This could materially and adversely affect the business, financial condition, results of operations and prospects. In addition, failure to complete construction according to specifications can result in reduced efficiency, higher operating costs and reduced earnings.

Target Group is subject to risks associated with changes in preferential tax treatment

The Target Group is subject to various PRC taxes, including the current statutory PRC enterprise income tax rate of 25%, as determined in accordance with the relevant PRC tax rules and regulations. However, PRC tax laws and regulations provide certain preferential tax treatment applicable to different enterprises, industries and locations. Any change or elimination of such preferential tax treatments may materially and adversely affect the Target Group's financial condition and results of operations.

Target Group faces competition from companies producing solar energy, as well as other renewable energy operators

The solar energy market is intensely competitive and evolving rapidly. The total capacity of power plants in PRC has rapidly increased in the past few years due to government policy incentives. Some of the market players may have access to more financial, and better technical, manufacturing and other resources than the Target Group. As a result, they may be able to devote more and better resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than the Target Group can. The Target Group may face even more keen competition in the future if the new entrants to the solar energy market may offer more advanced technological solutions or have greater financial resources. If the Target Group fails to compete effectively or maintain its competitiveness in the market, its business, financial condition and results of operations could be adversely affected.

The Target Group may also encounter competition from producers of electricity from other clean energy sources. In particular, other clean energy technologies may become more competitive and attractive. Competition from such producers may increase if the technology used to generate electricity from these other clean energy sources becomes more sophisticated, or if the PRC government decides to bolster its support of such other clean energy sources. If the Target Group is unable to maintain and increase its competitiveness in the future, or compete against other clean power companies, its business, financial condition, or results of operations could be adversely affected.

In addition, the Target Group is facing competition from producers of electricity from conventional energy resources, including petroleum and coal. Technological progress in the exploitation of other energy resources or discovery of large new deposits of oil or coal could decrease the price of those fuels, rendering the price of solar energy resources less attractive. As a result, demand for solar energy could decline, which would materially and adversely affect the Target Group's business, financial condition and results of operations.

The cost of generating electricity from solar energy is higher than the costs of generating electricity from conventional or non-solar renewable energy sources

The cost of generating electricity from solar energy is higher than the costs of generating electricity from conventional or non-solar renewable energy sources. In order to encourage the development of solar energy industry, the PRC government implemented various incentive policies, such as the Golden Sun Program, which provides upfront subsidies to cover 50%–70% of the construction cost of qualifying solar power plant projects. If these favourable policies and incentives are changed or discontinued to the detriment of the Target Group, the Target Group may be disadvantaged in competing against companies that produce electricity from conventional or non-solar renewable energy sources, which may enjoy significant cost advantages over the Target Group. As a result, the Target Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Target Group's assets and operations are subject to hazards customary to the power industry, and Target Group may not have adequate insurance to cover all these hazards

The main assets of the Target Group include or will include, among other things, PV arrays, distributors, transformers and interconnection infrastructure. Operating these assets involves risks and hazards that may adversely affect its operations, including equipment failure, natural disasters, environmental hazards and industrial accidents. These hazards can cause significant personal injury or death, severe damage to, and destruction of, property, plant and equipment, contamination of, or damage to, the environment and suspension of the business operations of the Target Group. The Target Group may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require the Target Group to make indemnification payments in accordance with applicable laws.

In addition, the operation of the solar power plants by the Target Group may be interrupted upon the occurrence of any of the following events:

(1) the breakdown or failure of equipment or processes;

(2) unplanned outages or disruption in the transmission of electricity generated due to system failures;

(3) permit and other regulatory issues, license revocation and changes in legal requirements;

(4) unforeseen engineering and environmental problems; or

(5) unanticipated cost overruns.

There is no assurance that the Target Group will be able to adequately control the impact of these events. The Target Group does not carry business interruption insurance. The Target Group has entered into insurance policies to cover certain other risks associated with its business. While the Target Group believes that this insurance coverage is commensurate with its business structure and risk profile, it cannot be assured that the current insurance policies of the Target Group will insure it fully against all risks and losses that may arise. If the Target Group were to incur a serious uninsured loss, or a loss that significantly exceeded the limits of its insurance policies, its business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in PRC political and economic policies and conditions could adversely affect the Target Group's business and prospects

The Target Group is operating its principal business in the PRC. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market-oriented economy since 1978, some sections of the PRC economy is still being operated under various controls of the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. In addition, other political, economic and social factors in the PRC may lead to adjustments of various reform measures. This refining and adjustment process may not necessarily have a positive effect on the Target Group's operations and its future business development. The Target Group's business, prospects and results of operations may be materially adversely affected by changes in the PRC economic and social conditions and by changes in the policies of the PRC government, such as measures to control inflation, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Restrictions on payment of dividends under applicable regulations may limit the Target Group's ability to remit dividend, which could affect its liquidity and financial position

The Target Group's operations are currently conducted in the PRC. The ability of the Target Group to make dividend and other distributions is therefore restricted by the PRC law and regulations. These regulations may differ in many aspects from the Hong Kong Financial Reporting Standards, including the requirement for dividends to be paid only out of the accumulated profits, as determined in accordance with the accounting standards and regulations in the PRC. In addition, PRC laws also require foreign-invested enterprises to set aside certain percentages of any accumulated profits after tax each year to their statutory common reserve fund, until the aggregate accumulated statutory common reserve funds exceed 50% of its registered capital, which are not available for distribution as cash dividends. As a result, the Target Group's liquidity and its ability to pay dividends could be affected.

Restrictions on currency exchange may limit the Target Group's ability to receive and use its revenues effectively

The Target Group's revenues and expenses are principally denominated in Renminbi. Under PRC law, Renminbi is currently convertible under the "current account", which includes dividends and trade and service-related foreign exchange transactions. Currently, the PRC operating companies may purchase foreign currencies for settlement of current account transactions, including payments of dividends to the Target, without the approval of SAFE, by complying with certain procedural requirements. However, the relevant PRC government authorities may limit or eliminate its ability to purchase foreign currencies in the future. Since a significant amount of the Target Group's future revenues will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit its ability to utilise revenues generated in Renminbi to fund its business activities outside PRC that are denominated in foreign currencies. Foreign exchange transactions by the PRC operating companies under the capital account continue to be subject to tight foreign exchange controls and require the approval of or need to register with the PRC government authorities, including SAFE. In particular, if the PRC operating companies borrow foreign currency through loans from the Target Group or other foreign lenders, these loans must be registered with SAFE, and if the Target Group finance the PRC operating companies by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the NDRC (where applicable), the Ministry of Commerce or their respective local agencies. These limitations could affect the ability of the PRC operating companies to obtain foreign exchange through debt or equity financing.

Compliance with environmental and safety regulations in the PRC is expensive, and non-compliance may result in adverse publicity and potentially significant monetary damages and fines or suspension of the Target Group's business operations

The Target Group is required to comply with all national and local regulations regarding protection of the environment and safety. Compliance with environmental and safety regulations is expensive. In addition, if more stringent regulations are adopted by the PRC governments in the future, the costs of compliance with the PRC environmental protection and safety regulations could increase.

Under the PRC safety regulations, the Target Group will be required to obtain a safety appraisal approval before the construction of the solar power plants and generating electricity, and it will be further required to undergo safety examination and obtain approval with relevant governmental authorities after it completes the construction of the solar power plants. There is no assurance that the Target Group will be able to obtain these approvals and permits upon completion of its construction of solar power plants on a timely basis, or at all. The relevant governmental authorities have the right to impose fines or deadlines to cure any non-compliance, or to order the Target Group to cease construction of the solar power plants or generating electricity if it fails to comply with these requirements. If the Target Group fails to comply with present or future environmental or safety regulations, it may be subject to substantial fines or damages or suspension of its business operations, and its reputation may be harmed.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on the Target Group's business operations, financial condition and results of operations

In 2010, a strong earthquake hit Qinghai Province, near Gansu Province. The Target Group may acquire or develop some solar power plant projects in such areas. A strong earthquake could result in serious destruction or damage of the Target Group's solar power generation facilities, which may, in turn, adversely affect the Target Group's business.

Any future occurrence of force majeure events, severe natural disasters or outbreaks of epidemics and contagious diseases in the PRC may materially and adversely affect its economy and therefore the Target Group's business. There is no assurance that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Target Group's operations or those of the Target Group's customers, which may have a material and adverse effect on the Target Group's business and results of operations.

Energy resources generated from fossil fuels such as coal, crude oil and natural gas, face a number of challenges including rising prices and growing environmental concerns over the global warming and climate change risks associated with the use of fossil fuels.

Solar energy is one of the main renewable energy resources being widely used over the world. One of the common methods is to convert solar radiation into electricity through the use of photovoltaic technology. Solar energy is emerging as a major power source due to its numerous environmental and economic benefits and proven reliability. Such benefits include, (1) the energy source, the sun, is free, and, most solar cells are made from silicon, an abundant and non-toxic element in the earth's mass; (2) it produces no noise, harmful emissions or pollution gases meanwhile the burning of natural resources for energy can create smoke, greenhouse gases, cause acid rain, pollute water and pollute the air; and (3) PV systems are very safe and highly reliable — the estimated lifetime of a solar PV module is 20–25 years. Solar PV modules are almost maintenance-free and offer an easy installation. The modules' performance is very high providing over 80% of the initial power after 25 years which makes PV a very reliable technology in the long term. In addition, very high quality standards are set in various countries which guarantee consumers can buy reliable and safe products.

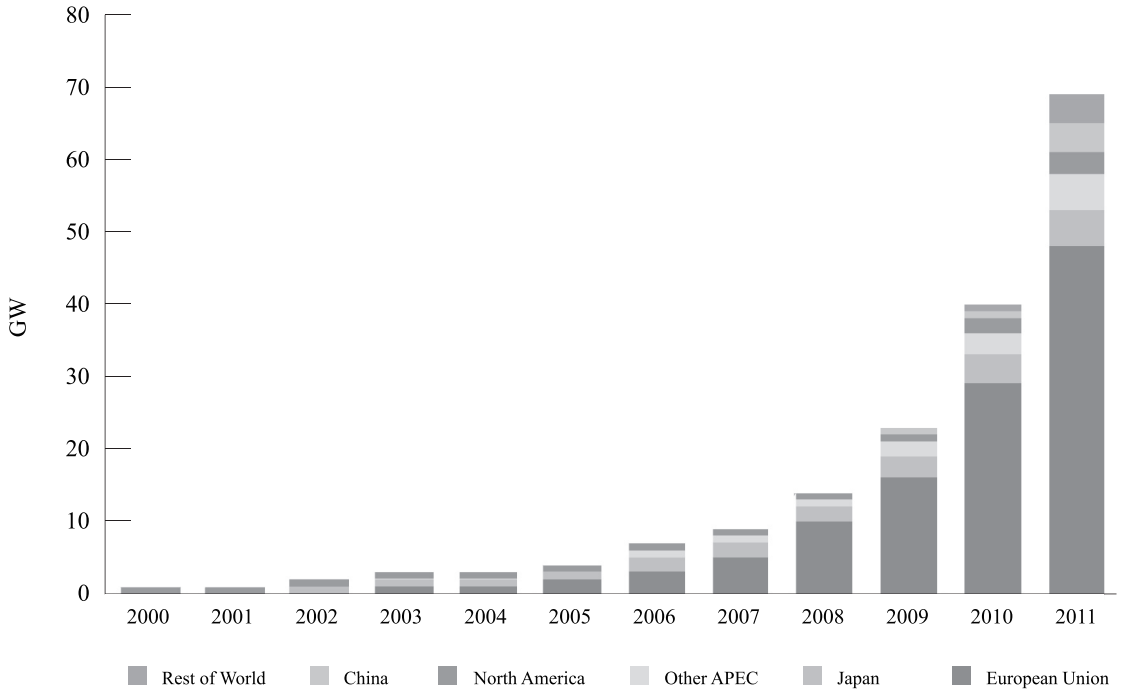
Over the last decade, PV technology has shown the potential to become a major source of power generation for the world with robust and continuous growth even during times of financial and economic crisis. That growth is expected to continue in the years ahead as worldwide awareness of advantages of PV increases. According to EPIA, 29.7GW of PV systems were connected to the grid in 2011, up from 16.8GW in 2010, making PV, after hydro and wind power, the third most important renewable energy sources in terms of globally installed capacity. Outside Europe, the solar energy market grew more than 100% in 2011. China was the top non-European solar energy market in 2011, with 2.2GW new PV systems installed in 2011, followed by USA with 1.9GW new PV systems installed in 2011.

According to the report "Global Market Outlook for Photovoltaics until 2016" issued by EPIA, at the end of 2009, the world's PV cumulative installed capacity has approached 23GW. In 2010, it has increased to 40GW. In 2011, more than 69GW were installed globally and could produce 85 TWh of electricity every year. This energy volume is sufficient to cover the annual power supply needs of over 20 million households. The growth rate of PV during 2011 reached almost 70%, an outstanding level among all renewable technologies.

GLOBAL SOLAR ENERGY MARKET BY USING PV TECHNOLOGY

PV is one of the fastest growing renewable energy technologies today and is projected to play a major role in solar energy industry in the future. Driven by attractive policy incentives (e.g. FiT and tax breaks), the global installed PV capacity has multiplied by a factor of 49 in ten years from 1.4GW in 2000 to 69.7GW at the end of 2011 according to EPIA. Newly installed capacity in 2011 was approximately 29GW, which was two-thirds more than the new capacity added in 2010.

Figure 1. Evolution of global cumulative installed PV capacity, 2000–2011



Source: Global Market Outlook for Photovoltaics until 2016 issued by EPIA

Demand for solar PV system is driven largely by the relative low price of the electricity produced by those systems compared to electricity generated by other means. Until the late 1990s, PV systems were installed almost exclusively off the grid for uses such as powering communications devices, satellites, and remote habitations, where solar PV was cost-competitive compared to other off-grid electricity sources.

But since the early 2000s, on-grid installation of PV systems has grown exponentially (45 percent per year on average between 2003 and 2009). This growth has been driven almost exclusively by government policy incentives in Germany, Spain, Italy, Japan and the U.S. These policies are designed, in one way or another, to subsidise the cost of solar power so that it is competitive with other on-grid electricity sources[1].

One of the most significant forms of subsidy for on-grid PV systems is the FiT, which is a policy mechanism created and regulated by government to promote investment in PV technology. Under FiT schemes, renewable electricity producers are offered long-term contracts under which a guaranteed fixed amount of money is paid to them, usually by the utility provider (national or local), for the energy fed into the grid. The FiT rate is typically set above market rates, offsetting inherent risks in renewable energy production. FiTs have been used since 1994 in Japan, 2000 in Germany, and 2006 in Spain. Today, most developed countries have implemented FiT, except the United States, where 29 states have instead implemented Renewable Portfolio Standards (RPS), which are mandates requiring utilities to produce a minimum percentage of their power from renewable energy sources[2].

Europe has dominated the global solar energy market for years but the rest of the world clearly has the biggest potential for growth. Driven by local and global energy demand, the fastest PV growth is expected to continue in China and India, followed by Southeast Asia, Latin America and the Middle East and North African countries. The PV potential of the sunbelt countries where PV can already compete with diesel generators for peak power generation without financial support could range from 60GW to 250GW by 2020, and from 260GW to 1,100GW in 2030. And with the faster than expected price decrease that the industry experienced in 2011, even more countries will see PV becoming competitive before the end of this decade[3].

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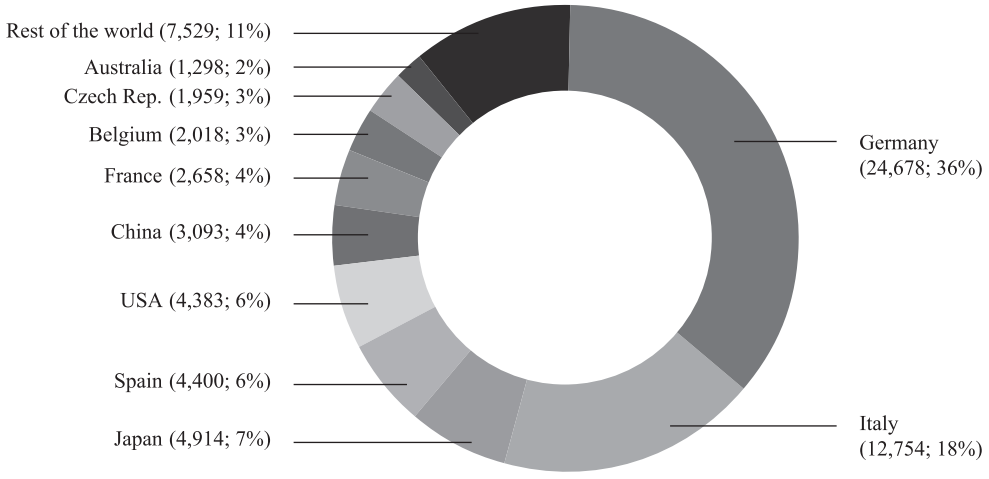
[1] China's Solar Industry and the U.S. Anti-Pumping/Anti-Subsidy Trade Case 2012

[2] Ibid

[3] Global Market Outlook for Photovoltaics until 2016 issued by EPIA

In 2011, Germany and Italy alone represent more than 50% of the world's installed capacity. This is followed by Japan, USA, China and Australia which are the top four non-European PV markets in terms of cumulative installed PV capacity.

Figure 2. Global cumulative installed PV capacity share 2011 (MW; %)



Source: Global Market Outlook for Photovoltaics until 2016 issued by EPIA

With proper policy support, balanced market development, and continued industry innovation, the solar energy industry may continue its remarkable growth over time.

ELECTRICITY GENERATION BY USING PV TECHNOLOGY

PV technology involves the direct conversion of electricity from light energy, which is accomplished when solar cells are exposed to light energy. The key steps to illustrate the conversion of light energy into electricity are as follows:

(1) a thin semiconductor is treated to form an electric field, positive on one side and negative on the other (i.e. p-type and n-type silicon);

(2) when light energy strikes the cell, electrons are knocked loose in the semiconductor material. If electrical conductors are attached to the positive and negative sides, the electrons can be captured into electricity; and

(3) electricity generated can then be used to power a load, such as a light or a tool.

PV systems could serve on-grid markets as well as off-grid industrial and residential markets where access to normal power transmission lines is not physically available or not economically possible. One of the most common baseboard of PV cell is crystalline silicon, which encompasses both monocrystalline silicon and polycrystalline silicon.

VALUE CHAIN OF THE SOLAR ENERGY MARKET BY USING PV TECHNOLOGY

In this section, the PV value chain refers to the purification and crystallisation of silicon, cutting of crystallised silicon (or ingot) into wafers, processing of wafers into cells, assembling the cells into modules, installation of PV modules and on-grid solar energy power generation. Most solar cells and modules sold today can be crystalline silicon based, which are either monocrystalline or polycrystalline silicon.

The following diagram illustrates the value chain for the solar energy market by using PV technology.



Polysilicon manufacturing

Polysilicon, based on sand, is the material used to make the semiconductors that convert sunlight into electricity. Historically, polysilicon prices have been volatile, because the construction of a new plant can add a large amount of supply to the market. High polysilicon prices can adversely affect the profitability of manufacturers further down the supply chain. Handful manufacturers from the United States, Europe, and Japan currently dominate polysilicon production, with much of it now located in Europe and the United States, but increasingly manufactures like GCL-Poly Energy Holdings Ltd from China and OCI Company Ltd from South Korea have expanded their production levels.

Wafer manufacturing

Using traditional semiconductor manufacturing equipment shape polysilicon into ingots and then slices the ingots into thin wafers. The wafers are then cut, cleaned, and coated according to the specifications of the system manufacturers.

Cell manufacturing

Solar cells are the basic building blocks of a PV system. They are made by cutting wafers into desired dimensions and shapes. The manufacturer then attaches copper leads so the cell can be linked to other cells. Minimising the area covered by these leads is a key issue in cell design, as the lead blocks sunlight from reaching parts of the cell surface and thus reduces potential energy output.

Module manufacturing

Modules, which normally weigh 34 to 62 pounds, are created by mounting 60 to 72 cells on a plastic backing within a frame, usually made of aluminum. The module is covered by solar glass to protect against the elements and to maximise the efficiency with which the unit coverts sunlight into power[1].

[1] China's Solar Industry and the U.S. Anti-Dumping/Anti-subsidy Trade Case 2012

Chinese producers have to date concentrated in the mid-stream wafer and cell segments of the value chain. Chinese producers account for about 60 percent of total global market volume in the wafer segment, 50 percent in the cells segment, and 48 percent in module assembly[1].

PV system installation

PV system uses assembled solar modules to convert sunlight into electricity. A system is made up of one or more solar modules, an inverter, a racking system that holds the solar modules and the interconnections and mounting for the other components. A small PV system may provide energy to a single consumer, or to an isolated device like a lamp or a weather instrument (so-called off-grid). Large on-grid or grid-connected PV systems can provide the energy needed by many customers.

On-grid power generation

A grid connected system is connected to a large independent grid (typically the public electricity grid) and feeds power either directly into a residential or commercial building or back into the grid. A PV power station (solar park or solar farm) is a power station using PV modules and inverters for utility scale electricity generation, connected to an electricity transmission grid. Some large PV power stations cover tens or hundreds of hectares and have power outputs up to hundreds of megawatts.

Overview of the PRC economy and power industry

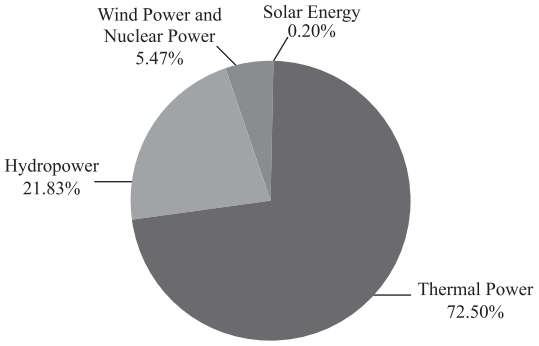
The high-speed economic growth of the PRC has become a major focus of the world in recent years and as a result of which it has attracted investors both locally and internationally. Despite the global macroeconomic slowdown since 2008, the PRC's economy maintained high growth over the period, partially due to the PRC government's economic stimulus measure. According to China Statistics Yearbook 2011, China's GDP increased from approximately RMB18.49 trillion in 2005 to approximately RMB40.12 trillion in 2010, representing a CAGR of approximately 16.76% and showing a double-digit annual growth for five consecutive years. The PRC's real GDP grew at a CAGR of 10.6% from 2002 to 2011, making it one of the fastest growing economies in the world. According to the 12th Five-Year Plan, the PRC's real GDP growth is expected to achieve a CAGR of 7.0% from 2011 to 2015.

Electricity generation has been growing fast in the PRC. According to the data from China Electricity Council, the total electricity generation in the PRC from 2009 to 2011 was 36,812 TWh, 42,280 TWh and 47,217 TWh, respectively. The electricity generation growth has experienced an increase of 6.7% in 2009, an increase of 111% in 2010 and an increase of 11.7% in 2011 as the PRC's macroeconomic environment improved in 2009.

[1] China's Solar Industry and the U.S. Anti-Dumping/Anti-subsidy Trade Case 2012

Accompanying the increase in total power generation capacity, the energy sources of PRC's power generation are also expected to undergo transformation, shifting from heavier reliance on traditional thermal power to increasing diversification into various forms of clean energies. As of the end of 2011, 72.5% of the installed capacity of electricity were from thermal power, 21.83% were from hydropower, 5.47% were from wind power and nuclear power, and 0.2% were from solar energy. Thermal power generating units have accounted for the majority of power generation installed capacity in the PRC. However, clean energies are expected to account for an increasing proportion of the total installed capacity going forward.

Figure 3. PRC Energy Structure by Energy Sources, 2011



Source: China Electricity Council; China Wind Energy Council

CHINA'S SOLAR ENERGY MARKET AND SOLAR POWER INITIATIVES

Development of solar energy industry in China

The development of China's solar energy industry, with solar cells as the initial driver in the development of the whole industry value chain can be categorised into the following phrases:

(1) Incubation and Primary Formation Phrase (1985–1990)[1]

(i) Some civil semiconductor device factories started to manufacture techniques and process solar cells using a P-N knot diode process with waste raw material from wafer production.

(ii) Companies in China started to import full sets of solar cell manufacturing lines for solar cells manufacturing.

(iii) By 1990, Chinese companies had established a primary solar use industry with a total of 4.5MWp manufacturing capacity.

[1] China Solar Energy Industry: Polysilicon 2007–2011 by Susan Myers and LY Yuen.

(2) Stable Development Phrase (1990–2000)[1]

(i) Improvement in the manufacturing techniques and processes of solar cells.

(ii) During this period, the development of China solar energy industry came from importation, digestion, absorption and innovation of the manufacturing techniques and process of solar cell.

(3) Rapid Development Phrase (the 21st century)[2]

(i) Global solar cell yield in 2011 was 35GW. In the top 10 world-leading solar cell manufacturers, China occupied 8 seats (Includes China mainland and Taiwan). The total production capacity of global top 10 solar cell manufacturers in 2011 was 17.67GW, the annual delivered solar cells were 14GW. The manufacturing cost of solar cell processing stage reached US$0.18/W.

(ii) Top 10 Chinese solar cell producers total production capacity was 16GW, and annual yield in 2011 was 11GW.

(iii) Top 10 Chinese solar module total production capacity was 14.8GW, and annual yield in 2011 was 10GW.

(iv) The annual increasing rate of yields of solar PV modules in China was more than 100% in 2005–2008, 70% in 2008–2010. In 2011, it was more than 100% again. The total delivered PV modules are 21GW, 141% increased compared with last year, contributed 60% of global outputs. The revenue of the industry was more than RMB300 billion.

(v) Consequently, a relatively complete solar energy industry chain was fostered, including the manufacture of polycrystalline silicon feedstock, the production of silicon ingot/ silicon wafer, the manufacture of solar cells, cell module and cell systems, etc.

The PRC's solar energy industry is expected to continue to grow rapidly in the coming years, given the country's rich solar resources and the various incentive government policies. Major potential market players includes clean energy companies in the PRC as well as some of the solar power products manufacturers which will transform their business to the development of downstream solar power business. Based on publicly available information, potential market players include:

(1) China Singyes Solar Technologies Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 750). It is a renewable energy solution provider and building contractor and has secured certain projects under the Golden Sun Program.

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[1] China Solar Energy Industry: Polysilicon 2007–2011 by Susan Myers and LY Yuen.

[2] China National Photovoltaic Status Report 2012 issued on 15 August 2012.

(2) Huadian Fuxin Energy Corporation Limited, a diversified clean energy company in China, primarily engaging in the development, management and operation of hydropower projects and coal-fired power plants in Fujian province and wind power and other clean energy projects throughout China. It is a company listed on the Main Board of the Stock Exchange (stock code: 816).

(3) China Gogreen Assets Investment Limited, a company principally engaged in solar energy business with a current focus on power station projects and assets investment. It is a company listed on the Main Board of the Stock Exchange (stock code: 397).

(4) Solargiga Energy Holdings Limited, a manufacturer of monocrystalline silicon solar ingots and wafers in the PRC, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 757).

While the implementation of various incentive government policies has brought opportunities for new players to enter into of solar power business in the PRC, this industry is capital intensive. Market players need to secure a significant amount of capital to enter the industry in spite of the governmental subsidies. For example, a qualified demonstrative solar power plant project under the Golden Sun Program should have total assets of not less than RMB100,000,000, and the capital of the project shall not be less than 30% of the total investment. In addition to the capital requirement, market players also need to have sufficient technical expertise in the development of solar power plant projects.

Solar energy initiatives

The shortage of electricity supply has long been a problem in the PRC. In particular, the cost of electricity supply is very high in the sparsely populated and remote areas of the western part of the PRC due to the cost involved in the laying of gridlines. Rural villages without electricity supply in the PRC are mainly located in Tibet, Xinjiang, Qinghai, Gansu, Inner Mongolia, Ningxia, Sichuan and Yunnan, where a large population of households without electricity supply are located. It is difficult to establish power grid coverage in these extensive and sparsely populated areas. Meanwhile, these areas have rich solar energy resources.

While China is rich in solar energy resources, its solar energy market is still relatively small compared to many developed markets. However, as shown in the table below, China's share in the solar energy market has grown rapidly in recent years, mainly due to rising demand for electricity and increasing government incentives.

Table 1. Global and China cumulated PV installations, 2005–2011

Year	Global Cummulated *(MW)*	China Cummulated *(MW)*	China *%*
2005	5,361	70	1.31%
2006	6,956	80	1.15%
2007	9,550	100	1.05%
2008	15,675	140	0.89%
2009	22,878	300	1.31%
2010	39,000	800	2.05%
2011	66,700	3,300	4.95%

Source: Wang Sicheng, Incentive Policies and Market Trends of PV in China, 2012 Solarbuzz China PV Conference, 19 July 2012

Government's policy-driven incentives

China's long-term renewable energy policy has been shaped by the governments' central planning agency, the National Development and Reform Commission, or the NDRC. In August 2007, the NDRC issued the Medium and Long-term Development Plan for Renewable Energy, or the NDRC Plan, which describes the national government's financial incentives for the renewable energy industry for the multi-year period ending 2020, with an estimated required investment amount of approximately US$293 billion during the fifteen-year period ending in 2020. For total solar power installation capacity, the NDRC's original 2007 target of 300MW by 2010 and 1.8GW by 2020 has increased considerably by several times in the recent years to better reflect the increased potential of solar in the country.

12th Five-Year Plan on Solar Power Development

According to the 12th Five-Year Plan on Solar Power Development (《太陽能發電發展「十二五」規劃》) issued by the National Energy Administration in July 2012, the installed capacity of solar power is expected to reach 21GW and 50GW by end of 2015 and 2020 respectively and the annual output of generated electricity will reach 25 billion KWh by 2015. In addition, the total investment demand on solar power plant projects would be RMB250 billion in the 12th Five-Year period.

The Ministry of Industry and Information Technology published the 12th Five-Year Plan on solar PV industry development on 24 February 2012 which reiterated the strategic importance of renewable energy, in order to cope with rising electricity prices and the growing demand for electricity in the country. Key provisions include:

(1) reduce the cost of domestic solar power to RMB0.8 per KWh by 2015 and RMB0.6 per KWh by 2020;

(2) the cost of solar modules in China will drop to RMB7,000 per KW by 2015 and RMB5,000 per KW by 2020;

(3) the plan requires China's leading polysilicon manufacturers to reach a 50,000 ton annual production capacity (per company) and leading solar module makers to reach 5GW (annually per company) by 2015;

(4) China will further help solar companies increase their annual sales, with at least one company reaching RMB100 billion in sales and 3 to 5 companies reaching RMB50 billion in sales by 2015; and

(5) eighty percent of solar equipment and auxiliary materials will be produced domestically.

Golden Sun Program and FiT scheme

In addition to the NDRC Plan, the 12th Five-Year Plan of Ministry of Industry and Information Technology and the 12th Five-Year Plan of National Energy Administration, the PRC government authorities have recently announced the following incentive schemes:

Golden Sun Program

(i) the "Golden Sun Program" is another national solar subsidy program. The program was established in July 2009 and announced by the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration of the NDRC. The Golden Sun Program provides upfront subsidies for qualified demonstrative PV project.

According to The Notice on Making Efforts to the Golden Sun Demonstration Work of the Year 2012 (Cai Jian [2012] No. 21)《關於做好2012年金太陽示範工作的通知》(財建[2012] 21號) effective from January 18, 2012, the project that intends to apply for Golden Sun Program subsidy shall conforms to a series of conditions, which mainly include, (i) the registered capital of the project implementation entity shall be not less than 30% of the total investment of the project; (ii) for the PV power generation project located in the concentrated application demonstration region, the application of Golden Sun Program subsidy should be made as a whole and the total installed capacity of the PV power generation project should be not less than 10MW in principle; (iii) for the consumer-side power generation project established dispersedly, the installed capacity should be not less than 2MW in principle; (iv) for the project constructed through contractual energy management, the project implementation company should sign the long-term agreement with electric power consumer; (v) the demonstration project should have good economic performance, reasonable design plan and relatively low investment of rooftop reconstruction. The projects constructed in

accordance with the overall planning of the new factory building could obtain the priority support; (vi) the grid-connected design of the project shall comply with the requirement of specification and the generated electrical energy should be mainly for its own use. The independent power generation project must be implemented as a whole by the qualified project implementation company with a county (or above level) as a unit. The qualified project implementation company should formulate a well-developed operation and management scheme and ensure the quality of construction and long-term stable operation of the project; (vii) the critical equipments of the project should be purchased independently by the project implementation company. The equipment supply companies and the function of the equipments should comply with relevant requirements; (viii) the project should be completed and inspected by 31 December 2012.

(2) the Golden Sun Program for rural electrification and building projects, which allowed 689MW of installations in 2011. In accordance with the Notice on the Publication of the 2012 Golden Sun Demonstration Projects List (《關於公佈2012年金太陽示範項目目錄的通知》) which jointly announced by the Ministry of Finance, Ministry of Science and Technology and the National Energy Bureau on 28 April 2012, the Golden Sun Program is based on system capacity rather than electricity production (RMB5.5/Watt) and will see around 1.7GW of large installations being commissioned in 2012, according to the Chinese Renewable Energy Industry Association (CREIA);

Procedure for application for Golden Sun Program

(1) First, the project implementation needs to prepare a project implementation plan according to relevant requirements of provincial finance, science and technology and energy departments and to submit the plan to the aforesaid authorities who will review and appraise the implementation plan and jointly submit the project to the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration for approval if the project is deemed to be qualified. Upon submission from the provincial level, The Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration will examine and appraise the projects and announce the category of demonstration projects.

(2) If certain project successfully falls into the demonstration project category, the project implementation company need to proceed to a next step, that is to further prepare some required application documents and submit a formal application report in a timely manner to the provincial finance, science and technology and energy departments for obtaining Golden Sun Program subsidy.

(3) Again the provincial government authorities will review and appraise the application report and jointly submit these documents to the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration for approval. Upon the approval, The Ministry of Finance will determine the amount of subsidy pursuant to the relevant regulations.

FiT

The brand new FiT Policy — named "Notice on Perfection of Policy Regarding FiT of Power Generated by Solar PV", which was released by the NDRC in July 2011 and triggered market development. According to the Notice on Perfection of Policy Regarding FiT of Power Generated by Solar PV, except for those projects located in Tibet, the solar power projects approved after 1 July 2011 (or approved prior to that date but which cannot be completed before the end of 2011) are entitled to a tariff of RMB1/KWh.

Procedure for application for FiT

(1) The project developer submits the intention of development of solar power plant project to the local office of NDRC to apply for the approval for commencement of preparation works pursuant to the requirements of the local authorities.

(2) After obtaining the approval for commencement of preparation works, the project developer has to conduct a feasibility study and submit the feasibility study report together with other supporting documents to the provincial office of NDRC to apply for the approval for commencement of the project.

(3) With the approval for commencement of the development, the project developer is eligible to start the construction of the solar power plant project. After construction completion, the project developer is required to enter into grid connection and despatch agreement and power purchase agreement with the local grid companies to connect its solar power plant to the local power grid.

(4) After the solar power plant is connected to the local power grid, in order to apply for FiT, the project developer may submit the required documents to the provincial finance, pricing and energy departments who will make a preliminary appraisal on the project and submit their opinion to the Ministry of Finance National Energy Administration, National Energy Administration and NDRC for their final determination. The Ministry of Finance National Energy Administration, National Energy Administration and NDRC will examine and appraise the projects and announce the category of eligible project.

Electricity price in the PRC

In recent years, the electricity price in the PRC has been repeatedly adjusted upwards. The following table lists some of the tariff adjustments since 2008:

Table 2.

	Date of tariff adjustment	Events
1.	1 December 2011	The NDRC increased the average retail price of electricity and the FiT price by RMB0.0316/KWh and RMB0.0274/KWh, respectively[1]
2.	1 June 2011	The average electricity retail price was increased by RMB0.0174/KWh[2]
3.	20 November 2009	The average electricity retail price was increased by RMB0.0288/KWh[3]
4.	1 July 2008	The average electricity retail price was increased by RMB0.025/KWh[4]

The trends in the price of major PV products in the PRC

The solar energy plants employ solar cell modules comprising a number of solar cells for conversion solar radiation into electricity. The wafers which are made from silicon are the main component of solar cells. During the past few years, the price of PV products recorded a sharp decrease in the PRC. For example, the price of PV grade polysilicon decreased from approximately US$60.085 per kilogram in 2010 to approximately US$15.803 per kilogram in January 2013.

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[1] Circular on The Appropriate Adjustment of Power Tariffs ([2011] No. 2619–No. 2623 Document) issued by the NDRC on 29 November 2011.

[2] Circular on The Appropriate Adjustment of Power Tariffs ([2011] No. 1101 Document) issued by the NDRC on 27 May 2011.

[3] Circular on The Appropriate Adjustment of Power Tariffs ([2009] No. 2919–No. 2921 Document) issued by the NDRC on 18 November 2009.
Circular on The Appropriate Adjustment of Power Tariffs ([2009] No. 2924–No. 2926 Document) issued by the NDRC on 18 November 2009.

[4] Circular on The Appropriate Adjustment of Power Tariffs ([2008] No. 1677–No. 1682 Document) issued by the NDRC on 29 June 2008.

The table below illustrates the trends in the prices of the major PV products used in the solar power energy during the past three years:

Table 3.

PV products	Average Price in January 2013 *(US$)*	Average Price in 2012 *(US$)*	Average Price in 2011 *(US$)*	Average Price in 2010 (from February 2010 to December 2010) *(US$)*
PV grade polysilicon $/kg	15.803	22.930	56.802	60.085
6 inch multicrystalline wafer $/piece	0.810	1.030	2.407	3.519
Multicrystalline cell $/watt	0.342	0.432	0.856	1.341
Multi module spot $/watt	0.655	0.794	1.303	1.742

Source: PV Insights

KEY GROWTH DRIVERS IN THE SOLAR ENERGY INDUSTRY

Solar energy generation is one of the fastest growing renewable sources of electricity in recent years. The Directors believe that the following factors have driven and will continue to drive the growth of the global solar energy industry:

(1) renewable energy has continued to prove itself to be a mainstream energy source and a significant contributor to achieving energy, environmental and economic goals;

(2) government incentives and renewable energy laws for solar energy;

(3) the customers and end-users to switch towards solar energy as a main source of renewable energy;

(4) declining cost of PV modules resulted from technology advancement; economies of scales arise from increasing scale of production, etc. has contributed to the usage of solar power becoming more affordable and reach the grid parity in certain markets; and

(5) general and steady rise of prices of electricity mainly due to rise of price of fossil fuels.

GOLDPOLY NEW ENERGY HOLDINGS LIMITED
金保利新能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

Executive Directors:
Mr. Lam Ho Fai
Ms. Lin Xia Yang
Mr. Yiu Ka So

Non-executive Directors:
Academician Yao Jiannian
Mr. Chiang Chao-Juei

Independent non-executive Directors:
Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony

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Hong Kong

10 May 2013

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 92.17% OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA MERCHANTS NEW ENERGY HOLDINGS LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS; AND (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY

INTRODUCTION

Reference is made to the Announcements in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the proposed Continuing Connected Transactions and the proposed Authorised Share Capital Increase.

The purpose of this circular is to provide you with, amongst other things, further details of (1) the terms and conditions of the Sale and Purchase Agreement and the Acquisition, (2) the terms and conditions of the Convertible Bonds; (3) the Authorised Share Capital Increase; (4) the grant of the Specific Mandate; (5) the Continuing Connected Transactions (including the proposed Annual Caps); (6) the letter from the Independent Board Committee to the Independent Shareholders; (7) a letter of advice

* *For identification purpose only*

from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (8) the financial information of the Group, the Target Group and the Enlarged Group; (9) the Valuation Report; and (10) the notice of the SGM.

PART A — THE ACQUISITION

1. SALE AND PURCHASE AGREEMENT

After trading hours on 22 November 2012, the Vendors, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement, which was amended on 31 March 2013. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase the Sale Shares from the Vendors for a total consideration of HK$2,119,910,000 (subject to adjustment), which will be satisfied by the allotment and issue of the Consideration Shares and the Convertible Bonds by the Company.

The Sale and Purchase Agreement

Date

22 November 2012 (and amended on 31 March 2013)

Parties

(1) Vendors:

(i) CMNEG, holding approximately 47.83% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;

(ii) Ease Soar, holding approximately 17.39% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;

(iii) China Green, holding approximately 8.69% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;

(iv) Talesun, holding approximately 8.69% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement;

(v) Hyatt Servicing, holding approximately 5.22% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement; and

(vi) Sino Arena, holding approximately 4.35% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement.

(2) Purchaser: Profit Icon Investments Limited, a direct wholly-owned subsidiary of the Company, holding approximately 7.83% of the issued shares of the Target Company as at the date of the Sale and Purchase Agreement. Reference is made to the announcements of the Company dated 14 May 2012 and 23 May 2012, respectively. The Purchaser acquired 9% of the then issued share capital of the Target Company at the consideration of HK$21,600,000 in May 2012. Subsequent to the issue of new shares of the Target Company, the equity interest held by the Purchaser in the Target Company was diluted to approximately 7.83% as at the Latest Practicable Date.

(3) The Company

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, save for Hyatt Servicing, each of the Vendors and their respective ultimate beneficial owners were Independent Third Parties as at the date of the Sale and Purchase Agreement.

As at the Latest Practicable Date, one of the Vendors, Hyatt Servicing, was a company owned as to approximately 99.99% by Mr. Hung. Mr. Hung and Jet Mile, a company which was owned as to 66.70% by Mr. Hung, were interested in an aggregate of 157,312,803 Shares, representing approximately 17.84% of the issued share capital of the Company as at the Latest Practicable Date. Jet Mile also held the Jet Mile Convertible Notes in the principal amount of $812,340,000 convertible into 1,509,925,651 Shares at the conversion price of HK$0.538 (subject to adjustment) as at the Latest Practicable Date. Hyatt Servicing, being an associate of Mr. Hung, who is a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules.

As at the Latest Practicable Date, one of the Vendors, China Green was interested in 22,905,621 Shares, representing approximately 2.60% of the issued share capital of the Company.

Save as disclosed above, none of the Vendors nor their respective associates was interested in any Shares as at the Latest Practicable Date.

Subject matter of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing approximately 92.17% of the entire issued share capital of the Target Company upon Completion.

As the Purchaser already held approximately 7.83% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement, the Group will own the entire issued share capital of the Target Company upon Completion. After Completion, the Target Company will be accounted for as a subsidiary of the Company.

For further details of the Target Group, please refer to "Part B — Information on the Target Group" below.

Consideration

The Consideration for the Sale Shares is HK$2,119,910,000 (subject to adjustment as described in the paragraph headed "Profit Guarantee and Adjustment to the Consideration" below), which shall be payable to the Vendors or their nominees (if applicable) proportionately with reference to their respective interest in the Sale Shares in the following manner upon Completion:

(1) in respect of CMNEG, as to HK$1,100,090,000 by way of (i) allotment and issue of 467,538,250 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$632,551,750 (of which the Convertible Bonds in the principal amount of HK$440,036,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement);

(2) in respect of Ease Soar, as to HK$399,970,000 by way of (i) allotment and issue of 239,982,000 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$159,988,000 (of which the Convertible Bonds in the principal amount of HK$159,988,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement);

(3) in respect of China Green, as to HK$199,870,000 by way of (i) allotment and issue of 39,974,000 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$159,896,000 (of which the Convertible Bonds in the principal amount of HK$79,948,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement);

(4) in respect of Talesun, as to HK$199,870,000 by way of (i) allotment and issue of 119,922,000 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$79,948,000 (of which the Convertible Bonds in the principal amount of HK$79,948,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement);

(5) in respect of Hyatt Servicing, as to HK$120,060,000 by way of (i) allotment and issue of 72,036,000 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$48,024,000 (of which the Convertible Bonds in the principal amount of HK$48,024,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement); and

(6) in respect of Sino Arena, as to HK$100,050,000 by way of (i) allotment and issue of 20,010,000 Consideration Shares; and (ii) issue of the Convertible Bonds in the principal amount of HK$80,040,000 (of which the Convertible Bonds in the principal amount of HK$40,020,000 shall be delivered to the Escrow Agent pursuant to the escrow arrangement contemplated under the Sale and Purchase Agreement).

The above settlement arrangements and the principal amount of the Convertible Bonds of each of the Vendors to be held under escrow were arrived at after arm's length negotiations among the Company, the Purchaser and each of the Vendors.

In determining the portion of Consideration Shares and Convertible Bonds to be issued to each of the Vendors, the Parties have considered the respective preference of the Vendors on the settlement method of the Consideration as follows:

(1) each of Ease Soar, Talesun and Hyatt Servicing indicated their preference to have a majority percentage of their respective portion of the Consideration to be settled by Consideration Shares; and

(2) each of CMNEG, China Green and Sino Arena indicated their preference to have a majority percentage of their respective portion of the Consideration to be settled by Convertible Bonds.

Pursuant to the Sale and Purchase Agreement, the Series B Convertible Bonds in the total principal amount of HK$847,964,000, representing 40% of the Consideration, shall be held under escrow in accordance with the terms of the Sale and Purchase Agreement. Subject to the terms of the escrow agreement, upon confirmation of the amount of Profit by the Company's auditors, on or before the date falling within three months after the expiry of the Profit Guarantee Period (or such reasonably extended date as the Purchaser and the Company may agree), if the Profit is not less than the Profit Guarantee, the Series B Convertible Bonds held under escrow in accordance with the terms of the Sale and Purchase Agreement and the escrow agreement shall be fully released to the Vendors or their nominees. In the event that the Profit is less than the Profit Guarantee, the Series B Convertible Bonds shall be released to the Vendors or their nominees in the principal amount as adjusted in accordance with the formula set out in the paragraph headed "Profit Guarantee and Adjustment to the Consideration" below.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms. In determining the Consideration and forming the view on the fairness and reasonableness of the Consideration, the Board has taken into consideration the following major factors:

(1) the preliminary assessment by the Independent Valuer of the fair value of the Concession Rights at approximately HK$2,600,000,000;

(2) the new solar module manufacturing capability to be brought about by the Target Group which may be consumed internally for the construction of solar power plants by the Enlarged Group, further details of which are set out in the paragraph headed "History of the Target Group" in Part B of this letter;

(3) the Profit Guarantee which provides the mechanism for adjustment to the consideration in the event that the Target Group fails to perform as anticipated;

(4) the continuous support of the management and the existing shareholders of the Target Company to the solar power plant projects to be acquired by the Target Group by leveraging on their experience, expertise, resources and business network given that the

existing shareholders of the Target Company are key market players in the PRC solar power industry details of which are set out in the paragraph headed "Competitive Strengths of the Target Group" in Part B of this letter;

(5) the underlying solar power plant projects of the Concession Rights, details of which are set out in the paragraph headed "Business and Business Plan for the Target Group" in Part B of this letter which form the basis of the future growth of the Target Group; and

(6) other potential benefits to be brought about to the Group by the Acquisition such as the vertical integration of the Group's solar energy business upon Completion as mentioned in the paragraph headed "Reasons for the Proposed Acquisition" below.

The Independent Valuer in valuing the fair value of the Concession Rights has adopted income approach which will constitute a profit forecast under the Listing Rules. The requirements under Rule 14.62 of the Listing Rules have been complied with by the Company. The Valuation Report (including the information regarding the profit forecast as required under the Listing Rules) is set out in Appendix V to this circular.

The principal assumptions (including commercial assumptions) of the profit forecast contained in the Valuation Report are as follows:

(1) there will be no major changes in the laws, rules or regulations, financial, economic, market and political conditions where the Target Group and the projects in connection with the Concession Rights operate or intend to operate which may materially and adversely affect its business;

(2) solar power will not be substantially replaced or made obsolete by other sources of energy;

(3) there will be no major fluctuations in the solar illumination conditions across the regions that the Target Group's solar power plants operate;

(4) given the current stage of development of the proposed projects, government supports under the 12th Five-Year Plan on Solar Power Development as set out in the Industry Overview section, the competitive edge of the Target Group, continuous support of the management and the existing shareholders of the Target Company, including GCL-Poly, Zhongli Talesun and CMNEG, it is reasonably assumed that business plans of the solar power plant projects in relation to the Concession Rights will be proceeded and completed as contemplated and revenue growth of those projects driven by electricity generating capacity will be in line with the relevant projects roll-out schedules;

(5) both rooftop and ground-based solar power plants of the Target Group will obtain the respective local grid company's consents to connect to the power grids and the relevant grid companies will purchase and transmit all electricity generated by the solar power plants operated by the Target Group;

(6) the legally binding framework agreements signed by the Target Group in relation to the solar power plant projects will be realised into official or definitive acquisition agreements. As a result, the risk and reward associated with such solar power plant projects will eventually be transferred to the Target Group;

(7) all rooftop solar power plant projects (except certain 2013 projects which has obtained special tariff approved by local government) could successfully obtain the subsidy from the Golden Sun Program;

(8) electricity price in the PRC has been repeatedly adjusted upward since 2008. Thus, it is assumed that the Target Group is able to adjust electricity tariff for certain rooftop solar power plant projects, whose end customers are individuals, and it was assumed to grow at a rate similar to the long-term inflation rate. For ground-based solar power plant projects, since end-customer is State Grid, electricity tariff are subsidised and the Target Group has no discretion to adjust tariff and hence, tariff for ground-based projects is assumed to remain stable;

(9) 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 timing and amount of capital expenditure and on-grid tariff subsidies;

(10) there will be no major changes in the current taxation law in the PRC;

(11) the Target Group will fulfill all legal and regulatory requirements (e.g. obtaining necessary licences) for the solar power plant business, including those related to the Concession Rights;

(12) the projects in connection with the Concession Rights will not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;

(13) 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 projects in connection with the Concession Rights;

(14) the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and

(15) the Target Group will retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations.

Members of the Board attended several meetings and held discussions with the management of the Target Company, the Independent Valuer and the Financial Adviser to the Company in respect of, among other matters, the historical performance and prospects of the Target Group, the valuation methodology and assumptions adopted for the Valuation, and the related accounting policies and calculations. During these meetings, members of the Board made enquiries to the

Independent Valuer and considered its comments and opinions in relation to the relevant issues. Accordingly, the Board confirmed that the profit forecast included in the Valuation Report has been made after its due and careful enquiry.

Reference is made to the announcement of the Company dated 14 May 2012 in relation to the acquisition of 9% of the then issued share capital of the Target Company by the Purchaser. The substantial increase in the preliminary fair value of the Concession Rights (which include the development rights of certain rooftop solar power plant projects as stated in the valuation mentioned in the aforesaid announcement of the Company) was mainly due to, among others, the additional development and operation rights in relation to certain ground-based and rooftop solar power plant projects, amounting to a capacity of approximately 2GW, which are owned or may be acquired by the Target Group in or prior to the year 2015 as contemplated under certain agreements (including framework agreements) entered into by the Target Group over the period subsequent to the previous date of valuation, i.e. 31 December 2011. Please refer to "Part B — Information on the Target Group" below for further details.

In view of the Consideration as compared with the valuation of the Concession Rights in relation to the solar power plant projects owned by or may be acquired by the Target Group, the Company is of the view that the Acquisition is beneficial to the Group.

Having considered the basis of the Consideration and the reasons and benefits as stated in the paragraph headed "Reasons for the Proposed Acquisition" below, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Profit Guarantee and Adjustment to the Consideration

Pursuant to the Sale and Purchase Agreement, each of the Vendors has guaranteed to the Purchaser and the Company that the Profit for the Profit Guarantee Period, i.e. the three financial years from 1 January 2013 up to 31 December 2015, will be not less than HK$495,000,000. However, in the event that the Profit is not less than HK$495,000,000 in the two financial years from 1 January 2013 up to 31 December 2014, the Board shall be entitled to (but shall not be obliged to) shorten the Profit Guarantee Period to the two financial years from 1 January 2013 up to 31 December 2014.

The Profit shall be the aggregated profit (before interests, tax, depreciation and amortisation) as shown in the audited accounts of the Target Group for the Profit Guarantee Period as audited by the auditors (which is one of the Big Four audit firms, namely, Deloitte Touche Tohmatsu, Ernst & Young, KPMG and PricewaterhouseCoopers) appointed by the Company, adopting the accounting principles and practices generally accepted in Hong Kong. It is agreed that the costs and expenses incurred by the Target Group in relation to the EIS shall be added back to the profit as shown in the audited accounts of the Target Group for the purpose of determining the profit. The Company and the Target Company may jointly engage an independent financial adviser to certify such adjustments, if any, and further announcement will be made by the Company in respect of such adjustment as and when appropriate.

If the Target Group fails to achieve the Profit Guarantee, the Consideration shall be adjusted downward by the formula set out below. Apart from the adjustment to the Consideration as set out below, no option or any other right has been granted to the Company to sell the Sale Shares back to any of the Vendors after Completion in case the Profit Guarantee has not been achieved. Upon Completion, the Series B Convertible Bonds in the total principal amount of HK$847,964,000, which represents 40% of the Consideration, shall be held under escrow in accordance with the terms of the Sale and Purchase Agreement as disclosed in the paragraph headed "Consideration" above for the purpose of effectuating the potential downward adjustment of the Consideration. The adjustment formula is as follows:

$$AC = OC \times AP/PG$$

"AC" refers to the total principal amount of the Series B Convertible Bonds issued to the Vendors or their nominees, or with respect to a Vendor or its nominee, the principal amount of the relevant Series B Convertible Bonds to be released to such Vendor or its nominee, in each case, after the adjustment (if any) made in accordance with the formula as set out above pursuant to the terms of the Sale and Purchase Agreement.

"OC" refers to the original principal amount of the Series B Convertible Bonds issued to the Vendors or their nominees, or with respect to a Vendor or its nominee, the original principal amount of the relevant Series B Convertible Bonds issued to such Vendor or its nominee, in each case, before any adjustment made in accordance with the formula as set out above pursuant to the terms of the Sale and Purchase Agreement.

"AP" refers to the Profit. In the event that AP is more than the Profit Guarantee, AP shall be equivalent to the Profit Guarantee. It is agreed by the Parties that if loss is recorded for the Profit Guarantee Period, AP shall be zero.

"PG" refers to the Profit Guarantee during the Profit Guarantee Period.

The Target Group reported a loss for the year ended 31 December 2011 as its revenue derived from sale of solar modules, which is one of the existing principal businesses of the Target Group, was set off by the increased cost of sales and deteriorating market conditions. Subsequent to the year ended 31 December 2011, the Target Group entered into certain agreements (including framework agreements) in relation to the Concession Rights, further details of which are set out in "Part B — Information on the Target Group" below. By taking into account that (1) the transactions contemplated under the aforesaid agreements (including framework agreements) represent a promising potential business growth of the Target Group; (2) by implementing the projects with the Concession Rights together with the integration and synergy effect to be brought about by the Enlarged Group, the Target Group will be able to shift its business focus to investment, development and operation of solar power plants which is expected to achieve profitability in the long run; (3) with the standardised building process for solar power plants, the Target Group may reduce lead time for commencement of operation of such solar power plants and thus, reduce the relevant cost of sales; (4) the first rooftop solar power plant of the Target Group pursuant to the agreement entered into between CTNE and CMBL dated 30 December 2011 has commenced commercial operation by November 2012; and (5) favourable governmental policies

including grant of national FiT and government subsidies have been implemented in respect of the solar energy industry in the PRC, the Board expects that the business of the Target Group will generate stable income and make future profit contribution to the Group upon Completion.

The agreed adjustment mechanism and the Profit Guarantee were the commercially agreed terms arrived at after arm's length negotiations among the Company, the Purchaser and each of the Vendors by taking into account of, among others, (1) the change in focus of the business of the Enlarged Group; (2) the future profitability of the Target Group as mentioned above; (3) the financial position of the Group; (4) the need to secure continuing commitment of the Vendors by aligning their commercial interests with those of the Enlarged Group and their respective preferences on the settlement method of the Consideration; and (5) the potential benefits to be brought about to the Group by the Acquisition set out in the paragraph headed "Reasons for the Acquisition" below.

The Board has reasonable grounds to believe that the Profit Guarantee is achievable after taken into consideration (1) the basis for determination of the Profit Guarantee as mentioned above; (2) the projected earnings of the Target Group as further detailed under the paragraph headed "Income approach" in the Valuation Report; and (3) the business plan provided by the Target Group as further detailed under the paragraph headed "Business and Business Plan for the Target Group" below.

The Company will publish an announcement in the event that (1) the Board decides to shorten the Profit Guarantee Period in accordance with the terms of the Sale and Purchase Agreement; (2) the Profit over the Profit Guarantee Period has been ascertained by the auditors in accordance with the terms of the Sale and Purchase Agreement; (3) the Purchaser and the Company agree to extend the date for ascertaining the Profit by the Company's auditors to a date beyond three months after the expiry of the Profit Guarantee Period in accordance with the terms of the Sale and Purchase Agreement; and/or (4) the Profit Guarantee has not been achieved.

The Company will also include details in its next published annual reports and accounts over the Profit Guarantee Period in respect of (1) whether the Profit Guarantee has been achieved; and (2) the opinion from the independent non-executive Directors as to whether Hyatt Servicing, being one of the Vendors and a connected person of the Company, has fulfilled its obligations under the Profit Guarantee.

Conditions precedent

Completion is conditional upon fulfilment of the following conditions:

(1) (i) the passing of resolutions by the Independent Shareholders at the SGM by way of poll approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the purchase of the Sale Shares, the issue of the Consideration Shares and the Convertible Bonds and the grant of Specific Mandate); the appointments of the four representatives nominated by CMNEG as Directors (of which two as executive Directors and the other two as non-executive Directors) upon Completion; the Continuing Connected Transactions; and (ii) the passing of resolutions by the Shareholders at the SGM by way of poll approving the Authorised Share Capital Increase;

(2) the Stock Exchange having granted the listing of, and the permission to deal in the Consideration Shares and the Conversion Shares; and such grant has not been revoked as at the Completion Date;

(3) the Stock Exchange not having indicated that it will treat the Sale and Purchase Agreement and the transactions contemplated thereunder as a reverse takeover under the Listing Rules;

(4) each of the Vendors having obtained all necessary approvals, authorisations and consents from and completed all necessary registrations and filings (if applicable) with the governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in the PRC), its shareholders or any third parties in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;

(5) the Purchaser and the Company having obtained from the Vendors a disclosure letter in relation to the representations, undertakings, covenants and warranties given by the Vendors under the Sale and Purchase Agreement; and the Purchaser and the Company being reasonably satisfied with the results of the due diligence exercises in respect of the Target Group's assets, debts, operation, taxation matters, books and accounts, corporate records and legal matters;

(6) the Purchaser and the Company having obtained from a qualified valuer engaged by them a valuation report stating that the value of the Concession Rights being not less than HK$2,600,000,000 and which shall be in such form and substance to the reasonable satisfaction of the Company;

(7) the Purchaser and the Company having obtained a PRC legal opinion issued by qualified PRC legal advisers engaged by them, with respect to (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the shareholding structure, legality and validity, capital contribution, business, taxation matters, legality of the assets, environmental protection, approvals and licenses, etc. in respect of the companies within the Target Group which were established in the PRC, in such substance to the reasonable satisfaction of the Company;

(8) the Vendors having delivered to the Purchaser the certificates of good standing and certificates of incumbency of the Target Company and the companies within the Target Group which were incorporated in the BVI, such certificates being dated not more than ten Business Days before the Completion Date;

(9) the Vendors having provided to the Purchaser and the Company a deed of indemnity in respect of the Target Group in such substance as agreed by the Vendors, the Purchaser and the Company;

(10) an escrow agreement having been duly executed by the Purchaser, the Company, the Vendors and the Escrow Agent;

(11) since the date of the Sale and Purchase Agreement and up to the Completion Date:

(i) there being no adverse change in the business, assets, financial position and operation of the Target Group which the Purchaser and the Company reasonably consider to be material to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(ii) there being no on-going or pending investigation, action, arbitration, claim or any other legal proceeding, whether initiated or threatened to be initiated by any court, adjudication board or tribunal or any governmental authority of competent jurisdiction, which the Purchaser and the Company reasonably consider to be material to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(iii) there being no event or circumstance which causes any representation, undertaking, covenant or warranty given by the Vendors in the Sale and Purchase Agreement to be materially untrue or inaccurate; and there being no event or circumstance which the Purchaser and the Company reasonably consider may cause a material adverse change in the Target Group's operation, assets or financial position; and

(iv) there being no proposed enactment, promulgation or enforcement by any authority of any ordinances, rules, orders, judgments, notices or awards, which prohibits, restricts or materially delays the execution or performance of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Vendors;

(12) the Vendors having confirmed to the Purchaser and the Company in writing that the conditions precedent referred to in (4) and (11) above have been satisfied as at Completion;

(13) the Vendors having obtained from the Purchaser a disclosure letter in relation to the representations, undertakings, covenants and warranties given by the Purchaser and the Company under the Sale and Purchase Agreement; and the Vendors being reasonably satisfied with the results of the due diligence exercises in respect of the Group's assets, debts, operation, taxation matters, books and accounts, corporate records and legal matters;

(14) no event having occurred and no circumstance having existed since the date of the Sale and Purchase Agreement up to the Completion Date, the consequence of which may under reasonable circumstances be able to cause material adverse effect on the business, operation, assets or financial position of the Group; or which may prohibit, restrict or significantly delay the Purchaser or the Company from signing and performing the Sale and Purchase Agreement and the transactions thereunder; or which has caused suspension of trading in the Shares on the Stock Exchange exceeding five consecutive trading days (save for such suspension(s) arising from signing of the Sale and Purchase Agreement); and

(15) the Purchaser and the Company having confirmed to the Vendors in writing that the condition precedent referred to in (14) above has been satisfied as at Completion.

The Purchaser and the Company may waive the condition precedent referred to in (11) above at their sole discretions at any time by notice in writing to the Vendors; and the Vendors may waive the condition precedent (14) above at their sole discretions at any time by notice in writing to the Purchaser and the Company. The Directors are well aware of their directors' duties owed to the Company and its Shareholders as a whole, including but not limited to acting in good faith for the benefit of the Company and the Shareholders as a whole, using power for proper purpose, exercising care, skill and diligence. The Board confirms that it will not waive the condition precedent (11) above whenever there being any adverse event or circumstance mentioned therein which the Purchaser and the Company in their reasonable opinion considered to be material to the Sale and Purchase Agreement and the transactions contemplated thereunder.

As to the condition precedent (5) above regarding the Purchaser and the Company shall be reasonably satisfied with the result of due diligence exercise on various aspects on the Target Group, the Board confirms that if the Target Group has not obtained the required licenses and permits for its existing operations and businesses, the Board will not consider that the condition precedent (5) above has been satisfied save that full indemnity will be given by the Vendors against all losses, liabilities, damages, costs, expenses, penalties and interest which the Purchaser, the Company and/or any member of the Target Group may suffer, sustain or incur. The due diligence exercises on the Target Group performed by the Company as at the Latest Practicable Date include but are not limited to:

(1) four days on-site visit to some of the locations of the solar power plant projects under the Concession Rights in early August 2012 to understand the business and operations of such solar power plant projects. The solar power plants visited included (i) the Project Xiexin Guicailiao, (ii) the Project Jiayuguan (A), and the Project Baoshui, which are respectively set out under item 1, item 2 and item 10 in the Table A under the section headed "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group". These solar power plants were selected for visiting as they covered both rooftop and ground-based solar power plants with power generation capacity ranging from 2MW to 100MW. Furthermore, the solar power plant projects were in more advanced stage of development to enable the Company to gain an understanding of the operation and business of the Target Group.

(2) reviewed the draft PRC legal opinion prepared by qualified PRC legal advisers engaged by the Company with respect to, amongst others, the shareholding structure, legality and validity, capital contribution, business, taxation matters, legality of the assets, environmental protection, approvals, permits and licenses, etc. in respect of the companies within the Target Group which were established in the PRC covering Project Xiexin Guicailiao, Project Zhongneng, Project Baoshui, Project Wanfeng, Project Jiayuguan (A) and Project Gonghe;

(3) reviewed the Valuation Report in respect of the fair value of the Concession Rights;

(4) reviewed the financial information of the Target Group for the three years ended 31 December 2010, 2011 and 2012;

(5) engaged Hong Kong legal advisers to perform legal due diligence on the companies within the Target Group which were established in Hong Kong; and

(6) the Directors have also reviewed the business plan and discussed with the management of the Target Group on the prospects of the Target Group.

For the condition precedent (9) above regarding the deed of indemnity to be provided by the Vendors in favour of the Company and the Purchaser, the deed of indemnity has not yet been executed as the Latest Practicable Date, but the Parties have agreed that each Vendor shall severally but not jointly (i.e. the liabilities of the Vendors under the deed of indemnity shall be apportioned amongst themselves on pro rata basis using as a numerator the number of Sale Shares sold by a particular Vendor and as a denominator the total number of Sale Shares sold by the Vendors) fully indemnify the Purchaser and the Company on demand from and against any and all losses, liabilities, damages, costs, expenses, penalties and interest which the Purchaser, the Company and/or any member of the Target Group suffer, sustain or incur:

(1) as a result of or in connection with any taxation claim made against any member of the Target Group in relation to any event occurred on or before the Completion Date;

(2) as a result of or in connection with any legal proceedings instituted by or against any member of the Target Group in relation to events occurred on or before the Completion Date;

(3) arising out of or in connection with any non-payment of any social insurance, housing funds, pension contributions and/or any other (in each case, statutorily required) social security or similar schemes by any member of the Target Group on or before the Completion Date that are legally required in the PRC or any jurisdictions;

(4) arising out of or in connection with any legal and/or regulatory breaches by any member of the Target Group in respect of the failure to lay accounts and/or the failure to make the requisite regulatory filings or to obtain the required licences and permits for its existing business operations and businesses within the prescribed time limit or at all under the relevant laws and regulations applicable to such member of the Target Group on or before the Completion Date; and

(5) arising out of or in connection with any defeats in title of lands or assets of any member of the Target Group which exist on or before the Completion Date.

However, the Vendors shall be under no liability under the deed of indemnity in respect of, any claim or liability:

(i) to the extent that such claim or liability is discharged by another person who is not any member of the Target Group, the Purchaser and the Company, and the members of the Target, the Purchaser and the Company are not required to reimburse such person in respect of the discharge of the claim or liability;

(ii) any matter or claim which would not have arisen but for an alteration, enactment or re-enactment of any ordinance, law, regulation, other legislative act, or generally accepted administrative practice of any government or governmental or regulatory authority which occurs after the date of the deed of indemnity;

(iii) to the extent that provision or reserve in respect thereof has been made in the Target Group's audited accounts for the year ended 31 December 2012 or to the extent that actual payment or discharge of such liability has been taken into account therein;

(iv) if and to the extent that any claim or liability (excluding any claim or liability in relation to clauses (3), (4) and (5) mentioned above) arises by reason of:

(A) any act, transaction or arrangement done or omitted to be done before the Completion Date by the Vendors or any member of the Target Group solely at the request or with the approval of the Purchaser and the Company;

(B) any act, transaction or arrangement done or omitted to be done on or after the Completion Date by the Purchaser, the Company or any member of the Target Group otherwise than required in the ordinary course of business as carried on by such member of the Target Group at the Completion Date;

(C) any claim, election, surrender or disclaimer made or omitted to be made or notice or consent given or omitted to be given by the Purchaser, the Company or any member of the Target Group after the Completion Date under the provisions of any statutes relating to taxation; or

(D) the winding-up of any member of the Target Group or any winding-up or cessation after the Completion Date of any trade or business carried on by any member of the Target Group as a result of circumstances or event occurring after the Completion Date;

(v) without prejudice to clauses (3), (4) and (5) above, to the extent that any claim or liability arises out of or in connection with any fact, matter or circumstance that has been disclosed by the Vendors to the Company prior to Completion; and

(vi) any losses and damages (including but not limited to loss of opportunities or profits) suffered by the Purchaser, the Company or any member of the Target Group which are indirectly resulted from the subject matter of any claims under the indemnity as set out in (1) to (5) above.

The deed of indemnity shall be limited in time commencing from the Completion Date and ending on the expiry of 7 years after the Completion Date.

If any of the conditions precedent has not been fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement on or before the Long Stop Date (except that conditions precedent (12) and (15) above can take place simultaneously with Completion), the Sale and

Purchase Agreement shall automatically terminate and none of the Parties shall have any claim against the other Parties, save for any antecedent breach of the terms of the Sale and Purchase Agreement.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Completion

Completion shall take place on the Completion Date falling on the fifth Business Day (or such other date as the Vendors, the Company and the Purchaser may agree in writing) after all the conditions precedent under the Sale and Purchase Agreement having been fulfilled or waived (as the case may be) by the relevant Parties.

Director nomination right

The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Pursuant to the Sale and Purchase Agreement, CMNEG shall have an one-off right to nominate two executive Directors and two non-executive Directors into the Board upon Completion. The background information of the four candidates nominated by CMNEG for appointments as executive Directors and non-executive Directors are set out in part E of this letter. The Board intends to appoint two additional independent non-executive Directors so as to comply with the requirement under Rule 3.10A of the Listing Rules on or before Completion. The Board will comprise 14 Directors at Completion. The nominations by CMNEG will constitute less than one-third of the members of the enlarged Board.

The Directors believe that, by leveraging on the experience of the Vendors, their networking and the skills and experience of their personnel, the additional Directors will help the Company better equipped for the development of the solar energy business of the Enlarged Group.

Undertaking

The Purchaser and the Company undertake to CMNEG to change the names and the trademarks of the Target Company and CMSZ immediately after Completion and that if the Group proposes to use the trade names, trademarks or other business logos of "招商", "招商局" or "China Merchants", prior written consent from China Merchants Group Limited, a state-owned enterprise established in the PRC and the ultimate holding company of CMNEG, must be obtained. As at the Latest Practicable Date, the Company had not determined any proposed names for the Target Company and CMSZ. The names of the Target Company and CMSZ will be changed to such new names as approved by the Board after Completion.

2. THE CONSIDERATION SHARES

Upon Completion, the Company will allot and issue, credited as fully paid, an aggregate of 959,462,250 Consideration Shares at the Issue Price of HK$1.00 per Consideration Share to the Vendors (or their nominees) as settlement of approximately 45.26% of the total Consideration.

The 959,462,250 Consideration Shares represent (1) approximately 1.09 times of the issued share capital of the Company as at the Latest Practicable Date; (2) approximately 52.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no exercise of the subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares prior to Completion); and (3) approximately 31.96% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares upon the exercise of the Conversion Rights (assuming the exercise of the Conversion Rights in full without adjustment to the Conversion Price, no exercise of the subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares except for the Consideration Shares prior to such conversion of the Convertible Bonds).

The Issue Price of HK$1.00 per Consideration Share represents:

(1) a discount of approximately 21.26% to the closing price of approximately HK$1.270 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) a discount of approximately 22.12% to the average closing price of approximately HK$1.284 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(3) a discount of approximately 21.88% to the average closing price of approximately HK$1.280 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(4) a premium of approximately 6.16% over the audited net asset value of approximately HK$0.942 per Share as at 31 December 2011 (based on the audited consolidated net asset value of the Company of approximately HK$830.5 million as at 31 December 2011 and 881,908,389 Shares as at the Last Trading Day); and

(5) a premium of approximately 20.05% over the unaudited net asset value of HK$0.833 per Share as at 30 June 2012 (based on the unaudited consolidated net asset value of the Company of approximately HK$735.0 million as at 30 June 2012 and 881,908,389 Shares as at the Last Trading Day).

The Issue Price was determined after arm's length negotiations among the parties to the Sale and Purchase Agreement with reference to (i) the prevailing market price of the Shares; (ii) the audited and unaudited net asset value of the Company as at 31 December 2011 and 30 June 2012, respectively; (iii) the financial performance of the Group; and (iv) the current market conditions. Based on the above, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable to the Company and the Shareholders as a whole.

Each of the Vendors (other than CMNEG) irrevocably and unconditionally undertakes to the Purchaser and the Company that it shall not sell or transfer or otherwise dispose of, or create any encumbrances on, whether directly or indirectly any part of their respective Consideration Shares during the period of twelve months after the Completion Date.

CMNEG irrevocably and unconditionally undertakes to the Purchaser and the Company that it shall not sell or transfer or otherwise dispose of, or create any encumbrances on, whether directly or indirectly, any part of its Consideration Shares during the period of twenty four months after the Completion Date.

The Consideration Shares, when issued upon Completion will rank *pari passu* in all respects with the Shares then in issue.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

3. CONVERTIBLE BONDS

Upon Completion, the Company will issue to each of the Vendors (or their respective nominees) the Convertible Bonds as settlement of approximately 54.74% of the total Consideration for the Acquisition.

Assuming no adjustment is made to the Conversion Price, no exercise of the outstanding subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares except for the Consideration Shares prior to conversion of the Convertible Bonds, upon exercise of the Conversion Rights in full, the Company will allot and issue 1,160,447,750 Conversion Shares, representing (1) approximately 1.32 times of the issued share capital of the Company as at the Latest Practicable Date; and (2) approximately 38.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares upon the exercise of the Conversion Rights in full. The aggregate nominal value of the Conversion Shares will be HK$116,044,775 assuming that the Conversion Rights are exercised in full at the initial Conversion Price.

The Company will consider to settle the Convertible Bonds, by various alternatives, including but not limited to internal resources, equity and debts financing when the Convertible Bonds become due.

The Directors consider that the payment method of the Consideration involving the issue of the Convertible Bonds is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without significant outlay of cash and preserve its currently available cash for future development of its business, and thus, is considered to be in the interests of the Company and the Shareholders as a whole.

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

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds to be issued by the Company pursuant to the Sale and Purchase Agreement are summarised below:

(1) ***Issue Date***

The Convertible Bonds shall be issued on the Completion Date.

(2) ***Principal Amount***

Series A Convertible Bonds

HK$312,483,750 in aggregate.

Series B Convertible Bonds

HK$847,964,000 in aggregate (subject to adjustment and escrow arrangement as described in the paragraphs headed "Profit Guarantee and Adjustment to the Consideration" and "Consideration" above).

(3) ***Interest***

The Convertible Bonds shall not bear any interest.

(4) ***Maturity Date***

The Convertible Bonds shall mature on the date falling on the fifth anniversary of the issue date of the Convertible Bonds or if such date is not a Business Day, the Business Day immediately following such date.

(5) ***Conversion***

Subject to the terms of the Convertible Bonds and the provisions under the Listing Rules and the Takeovers Code, (i) the holders of the Series A Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Series A Convertible Bonds into Conversion Shares at any time and from time to time during the Conversion Period commencing from the day immediately after the end of the first anniversary of the issue date of the Series A Convertible Bonds and ending on the Maturity Date, and (ii) the holders of the Series B Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Series B Convertible Bonds into Conversion Shares at any time and from time to time during the Conversion Period commencing from the day immediately following the expiry of the Lock-up Period and ending on the Maturity Date, in each case, in amounts of not less than HK$1 million and in integral multiples of HK$1 million on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK$1 million, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

The Bondholders shall not have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares to the extent that immediately after such conversion:

(i) the minimum public float requirement for the Shares as required under the Listing Rules could not be maintained; or

(ii) the Bondholder (other than Hyatt Servicing, its Affiliates and their parties acting in concert) whether alone or together with parties acting in concert with it will, directly or indirectly, control or be interested in 29.90% or more of the voting

rights of the Company (or in such other percentage lower than 29.90% as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer); or

Hyatt Servicing, its Affiliates and their parties acting in concert, whether alone or together with parties acting in concert with it will, directly or indirectly, control or be interested in 19.90% or more of the voting rights of the Company (or in such other percentage lower than 19.90% as may from time to time be specified in the Takeovers Code which will result in Hyatt Servicing, its Affiliates and their parties acting in concert being presumed as a party acting in concert with any Shareholder and parties acting in concert with such Shareholder).

(6) ***Conversion Price***

The Convertible Bonds shall be converted at the Conversion Price, subject to customary adjustments in the event of share consolidation, share sub-division, share reclassification, capitalisation issue, capital distribution, right issue and issue, grant of options or warrants for subscribing shares, issue of shares for cash or for acquisition and issue of other securities for cash or for acquisition.

The Conversion Price of HK$1.00 per Conversion Share represents:

(i) a discount of approximately 21.26% to the closing price of approximately HK$1.270 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 22.12% to the average closing price of approximately HK$1.284 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 21.88% to the average closing price of approximately HK$1.280 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 6.16% over the audited net asset value of approximately HK$0.942 per Share as at 31 December 2011 (based on the audited consolidated net asset value of the Company of approximately HK$830.5 million as at 31 December 2011 and 881,908,389 Shares as at the Last Trading Day); and

(v) a premium of approximately 20.05% over the unaudited net asset value of HK$0.833 per Share as at 30 June 2012 (based on the unaudited consolidated net asset value of the Company of approximately HK$735.0 million as at 30 June 2012 and 881,908,389 Shares as at the Last Trading Day).

On the same basis of determination of the Issue Price, the Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable to the Company and the Shareholders as a whole.

(7) ***Conversion Shares***

The Conversion Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding on the conversion date (the date which the signed notice of conversion is received by the Company) and shall be entitled to all dividends, bonuses and other distributions the record date of which falls on a date immediately after the conversion date.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

(8) ***Transferability***

Transfer or assignment of the Convertible Bonds shall be subject to the conditions, approvals, requirements and any other provisions of or under the Stock Exchange or their rules and regulations, the approval of listing in respect of the Shares which may fall to be issued upon the exercise of the Convertible Bonds and all applicable laws and regulations and the other provisions in the Convertible Bonds.

For Series A Convertible Bonds, save for a Permitted Transfer (as defined below), no transfer or assignment may be made to a connected person of the Company and unless the principal amount to be assigned or transferred shall be in an amount not less than HK$1 million and in integral multiple of HK$1 million.

For Series B Convertible Bonds, no transfer or assignment may be made to (i) any person before the expiry of the Lock-up Period and (ii) a connected person of the Company save for a Permitted Transfer (as defined below) and unless the principal amount to be assigned or transferred shall be in an amount not less than HK$1 million and in integral multiple of HK$1 million.

A "**Permitted Transfer**" refers to a transfer to a person who is an Affiliate of a Bondholder and such transfer has been approved by the independent non-executive Directors provided that where such Affiliate is a connected person of the Company, the approval to be granted by the independent non-executive Directors shall be subject to compliance of the requirements (if any) of the Listing Rules and/or the Stock Exchange.

(9) ***Voting Rights***

The Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of them being Bondholders.

(10) ***Ranking***

The Convertible Bonds constitute general, unconditional and unsecured obligations of the Company and rank, and will rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

(11) ***Redemption***

For Series A Convertible Bonds, the Company shall be entitled to redeem in whole or in part of the principal amount of the outstanding Series A Convertible Bonds at 100 per cent. of the principal amount thereof on any Business Day after the first anniversary of the issuance date of the Convertible Bonds.

For Series B Convertible Bonds, the Company shall be entitled to redeem in whole or in part of the principal amount of the outstanding Series B Convertible Bonds at 100 per cent. of the principal amount thereof on any Business Day after expiry of the Lock-up Period.

(12) ***Events of default***

The Convertible Bonds will contain the following events of default provisions which provide that on the occurrence of such events of default, the Convertible Bonds shall become due and payable in accordance with the terms and conditions of the relevant bond instrument of the Convertible Bonds:

(i) there is a default by the Company in the payment of the principal or any other amounts payable by the Company in respect of the Convertible Bonds and such default is not remedied by the Company within 7 business days; or

(ii) there is a default by the Company in the performance or observance of any covenant, condition, provision or obligation contained in the Convertible Bonds and such default continues for the period of 30 days next following the service by the Bondholders holding not less than two-thirds of the outstanding Convertible Bonds on the Company of notice requiring the same to be remedied; or

(iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of undertaking, property, assets or revenues of the Company or any of its Major Subsidiary (as defined below) and such possession or appointment is not terminated within 30 business days of a written request by the Bondholders; or

(iv) the Company or any of its Major Subsidiary (as defined below) becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its Major Subsidiary (as defined below) or the whole or any material part of undertaking, property, assets or revenues of the Company or any of its Major Subsidiary (as defined below) or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or

(v) (A) any Financial Indebtedness (as defined below) of any member of the Group is not paid when due nor within any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (B) any commitment for any Financial Indebtedness (as defined below) of any member of the Group is

cancelled or suspended by a creditor of such member of the Group as a result of an event of default (however described) or (C) any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness (as defined below) of such member of the Group due and payable prior to its specified maturity as a result of an event of default (however described) except for a single Financial Indebtedness (as defined below) of less than HK$50,000,000 in respect of the matters set out in (A) to (C); or

(vi) proceedings shall have been initiated against the Company or any Major Subsidiary (as defined below) under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of 45 days; or

(vii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation the terms of which have previously been approved by the Bondholders whose share in the outstanding Convertible Bonds represents 75% or more of the aggregate of all the then outstanding Convertible Bonds, and upon which the continuing corporation effectively assumes the entire obligations of the Company, as the case may be, under the Convertible Bonds); or

(viii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its Major Subsidiary (as defined below) or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a material part of the assets of the Company or any of its Major Subsidiary (as defined below); or

(ix) any event occurs which under the laws of the jurisdiction of incorporation of the Company or any Major Subsidiary (as defined below) has an analogous effect to any of the events referred to in paragraphs (vi) to (viii) inclusive above; or

(x) it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Convertible Bonds; or

(xi) the Shares (as a class) cease to be listed on the Stock Exchange or is suspended for a continuous period of 45 trading days due to the default of the Company or any of the Directors.

"**Financial Indebtedness**" means any indebtedness for or in respect of (A) moneys borrowed; (B) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent; (C) any amount raised pursuant to any note purchase facility or the issue of the Convertible Bonds, notes, debentures, loan stock or any similar instrument; (D) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Hong Kong Financial Reporting Standards, be treated as a finance or capital lease; (E) receivables sold or discounted (other than any receivables to the extent they are sold on a non recourse basis); (F) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a

borrowing; (G) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); (H) any amount raised by the issue of redeemable shares; (I) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (J) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (I).

"**Major Subsidiary**" means a subsidiary of the Company if the value of that subsidiary's total assets, profit or revenue represents 5% or more under any of the total assets, profit or revenue percentage ratios as defined under rule 14.04(9) of the Listing Rules (as amended from time to time).

For Series A Convertible Bonds, if any of the events of default occurs, the Bondholders whose share represents 75% or more of the aggregate outstanding Convertible Bonds may give notice to the Company that the Series A Convertible Bonds are, and they shall on the giving of such notice immediately become, due and payable at their principal.

For Series B Convertible Bonds, if any of the events of default occurs, the Bondholders whose share represents 75% or more of the aggregate outstanding Convertible Bonds may give notice to the Company that the Series B Convertible Bonds are, and they shall on the giving of such notice immediately become, due and payable at their principal, provided that if the notice is given before the expiry of the Lock-up Period, the Series B Convertible Bonds shall only become due and payable at their principal on the day immediately following the expiry of the Lock-up Period.

(13) ***Cancellation in respect of Series B Convertible Bonds***

In the event the Profit Guarantee is not met, the Company shall be entitled to request the holders of the Series B Convertible Bonds to surrender the Series B Convertible Bonds and cancel such principal amount of the outstanding Series B Convertible Bonds as representing the difference between the amount of HK$847,964,000 (i.e. the aggregate principal amount of the Series B Convertible Bonds) and the product of HK$847,964,000 times the actual aggregate profit of the Target Group as shown in the audited financial statements of the Target Group for the three financial years ending 31 December 2015 or such shorter period as provided in the Sale and Purchase Agreement divided by HK$495,000,000 (i.e. the Profit Guarantee).

4. REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in solar energy business with focus on solar silicon cell manufacturing. The Group manufactures mono-crystalline and multi-crystalline silicon solar cells. The solar cells produced by the Group are components used to turn sunlight into electricity in the solar energy system and are sold to PV module manufacturers. PV modules can be used for rooftop installation for electricity generation, water pump systems and power plants. The Group also provides processing service for silicon wafer suppliers. The Group does not produce silicon wafer but receives silicon wafer from the silicon wafer suppliers to manufacture solar cells.

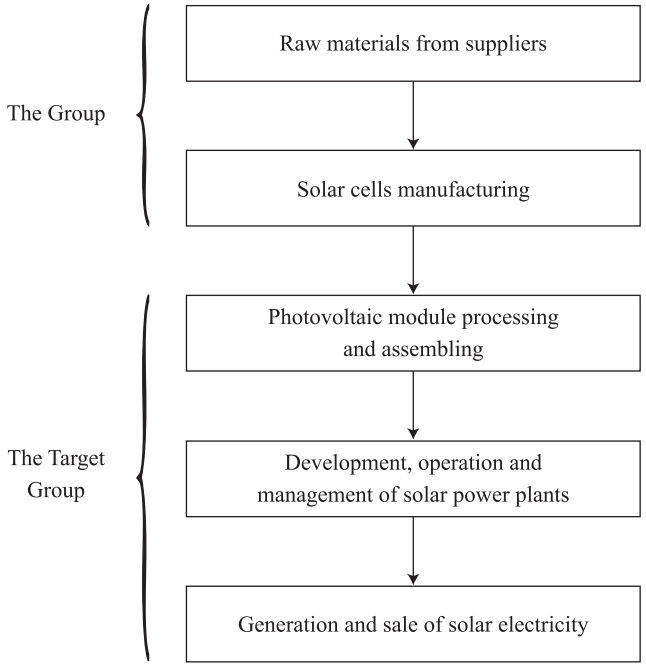
In 2011, the Group commenced the development of a 10.8MW user on-grid PV power generation demonstration project. Such project has been selected as one of the projects eligible for the Golden Sun Program through which the relevant members of the Board have acquired relevant experiences in the management and operation of businesses similar to those of the Target Group.

The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC.

During the past few years, the price of PV products recorded a sharp decrease caused by the slowdown of demand and the oversupply of raw materials in the market worldwide. However, the various supporting state and local policies for solar energy industry in the PRC and the declining cost and price for PV products have led to lower installation costs and a better return for solar power plant operators in the PRC. The Company is concerned about the impact of the continued deterioration of the business climate for PV products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

In the solar energy industry supply chain, polysilicon is the primary raw material for silicon wafer used in solar wafer production. Wafers are further processed by downstream manufacturers to produce solar cells and solar cells are further assembled into PV modules. PV modules are used to build into a matrix of panels for converting sunlight into electric power in both ground-based solar power plants and rooftop solar power plants.

The following diagram illustrates the simplified business process for the Enlarged Group after Completion:



As illustrated above, the Acquisition will enable the Group to achieve a vertical integration of its solar energy business as upon Completion. The Group as enlarged by the Target Group will have the capacity to manufacture solar cells, which can be used to produce PV modules for use in, among others, constructing rooftop solar power plant in the solar power plant projects of the Enlarged Group. The Group is a supplier of solar cells to the Target Group and the Acquisition will increase the internal consumption of the solar cells produced by the Enlarged Group and will also provide the Enlarged Group with a better return on its capital for stable income from government subsidies for its solar power plant projects. The Acquisition not only provides a synergy effect to the existing solar energy business of the Group, but also enables the Group to transform from a purely solar energy materials manufacturer to a supplier of solar electricity.

Furthermore, in July 2012, the PRC government has promulgated China's 12th Five-Year Plan on Solar Power Development which projected a cumulative installed capacity of 21GW and 50GW solar power plants by end of 2015 and 2020, respectively. The 12th Five-Year Plan on Solar Power Development may direct a total investment of approximately RMB250 billion in the solar power plant projects during the period of the 12th Five-Year Plan on Solar Power Development. In light of the capacity projected in the 12th Five-Year Plan on Solar Power Development, the Target Company has responded promptly and found ways to expand its capacity so as to capture the potential business opportunities by, among others, entering into certain framework agreements for the strategic cooperation with several market players in the solar energy industry for the investment, development and operation of solar power plant projects.

For the reasons above, the Directors believe that the Acquisition would enhance the future growth and profitability of the Group.

By taking into consideration (1) the abovementioned reasons for the Acquisition; (2) the factors set out under the paragraph headed "Basis of Consideration" above; (3) possession of in-depth knowledge of the solar energy industry by the experienced management team of the Target Group; (4) the experience of the existing management of the Group in the development of the user on-grid PV power generation demonstration project as detailed under the paragraph headed "Management Experience of the Group" below; (5) capability of seizing market opportunities within the solar energy industry by the Target Group with the support of its existing shareholders; and (6) favourable operating environment for the lower stream of the solar energy industry as a result of the decrease in the price of PV products involved in the development of solar energy projects and the supports given by the Chinese Government in terms of policy-driven incentives, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group currently intends to continue its existing business and there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination or scaling down of the Group's existing businesses or assets up to the Latest Practicable Date.

Furthermore, the Directors (including the independent non-executive Directors) consider that the settlement of the Consideration by way of issuance of the Convertible Bonds is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without significant outlay of cash and preserve its currently available cash for future development of its

business, and thus, is considered to be in the interests of the Company and the Shareholders as a whole. The Company did not have any fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in solar energy business with focus on solar silicon cell manufacturing. The Group manufactures mono-crystalline and multi-crystalline silicon solar cells. The solar cells produced by the Group are components used to turn sunlight into electricity in the solar energy system and are sold to PV module manufacturers. PV modules can be used for rooftop installation for electricity generation, water pump systems and power plants. The Group also provides processing service for silicon wafer suppliers. The Group does not produce silicon wafer but receives silicon wafer from the silicon wafer suppliers to manufacture solar cells.

Demand for solar products depends substantially on government incentives aimed to promote greater use of solar energy. This is because currently the cost of generating electricity from solar energy exceeds the costs of generating electricity from conventional or non-solar renewable energy sources. Since 2010, there have been reductions of government subsidies and incentives for solar energy in the United States of America and Europe, which lead to a decrease in demand for PV products. Combined with the effect of growth of polysilicon manufacturing capacity and the oversupply of raw materials in the market worldwide, the average selling price of the solar cells has declined significantly since 2011. The average price for solar cells decreased from US$0.856/watt in 2011 to US$0.342/watt in January 2013. As a result, for the year ended 31 December 2012, the solar energy business of the Group had approximately HK$213 million of revenue and a gross loss of approximately HK$76.5 million.

However, the solar energy industry in the PRC was rapidly growing in 2011. Due to the various supporting policies from the government and the declining cost and price for PV products, there is a continuous growth in demand for PV system installation in the PRC. The Company is concerned about the impact of the continued deterioration of the business climate for PV products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

Upon Completion, the Target Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. After Completion, the Enlarged Group will continue with the existing principal business of the Group in solar silicon cell manufacturing. In addition, the Acquisition will increase the internal consumption of the solar cells produced by the Enlarged Group; and enable the Group to gain access to its intended downstream business developments in the solar energy industry and achieve synergies between the new business of the Enlarged Group and the Group's existing business.

Going forward, the Enlarged Group will continue its efforts in enhancing its production capacity and technology and optimising its production efficiency; and accelerating its downstream business and maximising synergies. It is expected that the Acquisition will allow the Group to further diversify its source of revenue and broaden its opportunities to cooperate with well-established enterprises along the PV value chain.

In view of the above as well as the increase in global awareness of environmental protection in recent years, the Directors believe that the prospect of the solar energy industry is promising.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Assets

As at 31 December 2012, the consolidated total assets of the Group were approximately HK$1,605,427,000. As set out in the section headed "Unaudited pro forma financial information on the Enlarged Group" in Appendix IV to this circular, assuming the Acquisition was completed on 31 December 2012, the pro forma consolidated total assets of the Enlarged Group would have been increased by approximately HK$4,472,494,000 million to approximately HK$6,077,921,000.

Liabilities

As at 31 December 2012, the consolidated total liabilities of the Group were approximately HK$1,381,455,000. As set out in the section titled "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to this circular, assuming the Acquisition was completed on 31 December 2012, the pro forma consolidated total liabilities of the Enlarged Group would have been increased by approximately HK$4,050,011,000 to approximately HK$5,431,466,000.

Earnings

After taking into account the potential business synergies and other benefits that is expected to result from the Acquisition as mentioned in the paragraph headed "Reasons for the Acquisition" above, and taking into consideration that the Target Group enjoys competitive advantages as mentioned in the paragraph headed "Competitive Strengths of the Target Group" below, the Directors consider it a fair expectation that the Acquisition will have a positive impact on the earnings of the Group after Completion.

7. IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As more than one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules, exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, one of the Vendors, Hyatt Servicing, was a company owned as to approximately 99.99% by Mr. Hung. Mr. Hung and Jet Mile, a company which was owned as to 66.70% by Mr. Hung, were interested in an aggregate of 157,312,803 Shares, representing approximately 17.84% of the issued share capital of the Company as at the Latest Practicable Date. Jet Mile also held the Jet Mile Convertible Notes in the principal amount of HK$812,340,000 convertible into 1,509,925,651 Shares at the conversion price of HK$0.538 per Share (subject to adjustment) as at the Latest Practicable Date. Hyatt Servicing, being an associate of Mr. Hung, who is a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. The Acquisition constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders at the SGM.

Mr. Hung and his associates (including Jet Mile), China Green, which is one of the Vendors and held 22,905,621 Shares as at the Latest Practicable Date, and its associates will be required to abstain from voting at the SGM in respect of the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder. To avoid any potential conflict of interest, Mr. Hong, who held 1,800,000 Shares as at the Latest Practicable Date who is acting in concert with Mr. Hung, and his associates will also abstain from voting at the SGM in respect of the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than Mr. Hung, Mr. Hong and China Green and their respective associates, none of the Shareholders has any interest in the transactions contemplated under the Sale and Purchase Agreement which is different from other Shareholders.

None of the Directors has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore none of the Directors was required to abstain from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

8. SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION OF THE PROPOSED ACQUISITION

There will not be a change in control of the Company as a result of the Acquisition. As at the Latest Practicable Date, except for the outstanding 3,225,191 Share Options and the outstanding Jet Mile Convertible Notes in the principal amount of HK$850,000,000 convertible into 1,579,925,651 Shares at the conversion price of HK$0.538 per Share (subject to adjustment), the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. Assuming that there is no other allotment and issue or repurchase of Shares and no exercise of the subscription rights attaching to the outstanding Share Options, the following table, **which is for illustrative purpose only**, sets out the shareholding structure of the Company as at the Latest Practicable Date and the changes thereof under different scenarios.

Name of Shareholder	As at the Latest Practicable Date		Immediately before Completion (assuming exercise in full of the conversion rights attaching to the Jet Mile Convertible Notes held by Jet Mile without adjustment to its conversion price) *(Note 5)*		Immediately upon the allotment and issue of the Consideration Shares (assuming no exercise of the conversion rights attaching to the Jet Mile Convertible Notes and the Convertible Bonds)		Immediately upon the allotment and issue of the Consideration Shares and Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Bonds (assuming no exercise of the conversion rights attaching to the Jet Mile Convertible Notes and no adjustment of the Conversion Price) *(Note 6)*		Immediately upon the allotment and issue of (i) the Consideration Shares, (ii) the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Bonds without adjustment of the Conversion Price and (iii) the new Shares upon the exercise in full of the conversion rights attaching to the Jet Mile Convertible Notes held by Jet Mile without adjustment of its conversion price *(Note 5 and 6)*	
	Number of Shares	*% (approx.)*	*Number of Shares*	*% (approx.)*	*Number of Shares*	*% (approx.)*	*Number of Shares*	*% (approx.)*	*Number of Shares*	*% (approx.)*
Director *(Note 1)*										
Ms. Lin Xia Yang	1,000,000	0.11	1,000,000	0.04	1,000,000	0.05	1,000,000	0.03	1,000,000	0.02
CMNEG and parties acting in concert with it										
CMNEG	—	—	—	—	467,538,250	25.39	1,100,090,000	36.65	1,100,090,000	24.38
China Green	22,905,621	2.60	22,905,621	0.96	62,879,621	3.41	222,775,621	7.42	222,775,621	4.94
Sino Arena *(Note 2)*	—	—	—	—	20,010,000	1.09	100,050,000	3.33	100,050,000	2.22
Sub-total:	**22,905,621**	**2.60**	**22,905,621**	**0.96**	**550,427,871**	**29.89**	**1,422,915,621**	**47.40**	**1,422,915,621**	**31.54**
Ease Soar	—	—	—	—	239,982,000	13.03	399,970,000	13.32	399,970,000	8.86
Mr. Hung and parties acting in concert with him										
Mr. Hung	64,376,000	7.30	64,376,000	2.69	64,376,000	3.50	64,376,000	2.14	64,376,000	1.43
Mr. Hong	1,800,000	0.20	1,800,000	0.08	1,800,000	0.10	1,800,000	0.06	1,800,000	0.04
Jet Mile *(Note 3)*	92,936,803	10.54	1,602,862,454	67.01	92,936,803	5.05	92,936,803	3.10	1,602,862,454	35.53
Hyatt Servicing *(Note 4)*	—	—	—	—	72,036,000	3.91	120,060,000	4.00	120,060,000	2.66
Sub-total:	**159,112,803**	**18.04**	**1,669,038,454**	**69.78**	**231,148,803**	**12.56**	**279,172,803**	**9.30**	**1,789,098,454**	**39.66**
Public Shareholders										
Talesun	—	—	—	—	119,922,000	6.51	199,870,000	6.66	199,870,000	4.43
Other public Shareholders	698,889,965	79.25	698,889,965	29.22	698,889,965	37.96	698,889,965	23.29	698,889,965	15.49
Total:	**881,908,389**	**100.00**	**2,391,834,040**	**100.00**	**1,841,370,639**	**100.00**	**3,001,818,389**	**100.00**	**4,511,744,040**	**100.00**

Notes:

1. As at the Latest Practicable Date, Ms. Lin Xia Yang held the Share Options to subscribe for 1,225,191 Shares at the exercise price of HK$0.6624 per Share. Each of Mr. Yiu Ka So and Academician Yao Jiannian held the Share Options to subscribe for 1,000,000 Shares and 1,000,000 Shares, respectively at the exercise price of HK$1.434 per Share.

2. As at the Latest Practicable Date, Sino Arena held 25,000,000 shares of the Target Company (represented approximately 4.35% of the issued shares of the Target Company) for the benefit of the Participants under the EIS adopted by the Target Company on 31 July 2012.

3. As at the Latest Practicable Date, Jet Mile held the Jet Mile Convertible Notes in the outstanding principal amount of HK$812,340,000 convertible into 1,509,925,651 Shares at the conversion price of HK$0.538 (subject to adjustment).

4. Under the terms and conditions of the Convertible Bonds to be issued to Hyatt Servicing, Hyatt Servicing, as a Bondholder, shall not exercise the conversion rights attaching thereto if immediately after such conversion, (i) the minimum public float requirement for the Company as required under the Listing Rules could not be maintained; or (ii) Hyatt Servicing, its Affiliates and their parties acting in concert, whether alone or together with parties acting in concert with it will, directly or indirectly, control or be interested in 19.90% or more of the voting rights of the Company (or in such other percentage lower than 19.90% as may from time to time be specified in the Takeovers Code which will result in Hyatt Servicing, its Affiliates and their parties acting in concert being presumed as a party acting in concert with any Shareholder and parties acting in concert with such Shareholder).

5. ***This scenario is for illustrative purpose only and shall not occur.*** Under the terms and conditions of the Jet Mile Convertible Notes, Jet Mile and/or the parties acting in concert with it shall not exercise the conversion rights attaching thereto if immediately after such conversion, (i) Jet Mile and party(ies) acting in concert with it will be interested in 20% or more of the enlarged issued share capital of the Company; or (ii) there will not be sufficient public float of the Shares as required under the Listing Rules.

6. ***This scenario is for illustrative purpose only and shall not occur.*** Under the terms and conditions of the Convertible Bonds, the Conversion Rights cannot be exercised by any Bondholder to the extent that if immediately after such conversion, (i) the minimum public float requirement for the Company as required under the Listing Rules could not be maintained; or (ii) the Bondholder (other than Hyatt Servicing, its Affiliates and their parties acting in concert), whether alone or together with party(ies) acting in concert with it will, directly or indirectly, control or be interested in 29.90% or more of the voting rights of the Company.

As a result of the proposed issuance of Consideration Shares and Conversion Shares pursuant to the Sale and Purchase Agreement and the bond instruments of the Convertible Bonds, adjustments will need to be made to the exercise price and/or the number of Shares to be issued upon exercise of subscription rights attaching to the Share Options and upon exercise of the conversion rights attaching to the Jet Mile Convertible Notes in accordance with the respective terms and conditions thereof. The Company will announce the adjustments to be made to the outstanding Share Options and Jet Mile Convertible Notes as and when appropriate.

Based on the above, approximately 29.95% of the Shares will be held by the public upon completion of the allotment and issue of the Consideration Shares and the Conversion Shares. Therefore, the Company will have sufficient public float upon completion of the allotment and issue of the Consideration Shares and the Conversion Shares.

Specific Mandate to issue new Shares

Under the Sale and Purchase Agreement, the Company shall issue the Consideration Shares and the Convertible Bonds to the Vendors as the Consideration on Completion. The Company will seek the grant of Specific Mandate from the Independent Shareholders at the SGM to satisfy the allotment and issue of the Consideration Shares and the Conversion Shares upon the exercise of the Conversion Rights.

Application for Listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares to be issued upon conversion pursuant to the terms and conditions of the Convertible Bonds.

9. INFORMATION OF THE VENDORS

CMNEG

CMNEG is a limited liability company incorporated in the BVI on 5 May 2004. It is an investment holding company which is engaged in the renewable energy business through its subsidiaries.

CMNEG is held as to approximately 53.56% by Snow Hill, approximately 9.44% by Pairing Venture and approximately 37% by Magicgrand. Snow Hill is held by an indirect wholly-owned subsidiary of China Merchants Group Limited, which is a state-owned enterprise established in the PRC. China Merchants Group Limited is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Magicgrand is held as to approximately 38.83% by Mr. Alan Li who was an Independent Third Party as at the Latest Practicable Date and approximately 61.17% by Pairing Venture. Pairing Venture is held as to 100% by Mr. Alan Li.

The CMNEG Group owns properties in various parts across China, which provides the Target Group with access to the rooftops of suitable properties owned by the CMNEG Group for its solar power plant projects. The ability to access such rooftops and to sign long term lease arrangements for the rooftops enable to Target Group to develop and operate its rooftop solar power plants. CMNEG, being under the indirect control of the China Merchants Group Limited is able to benefit from the strong financial capabilities of its affiliates and the connection with the financial institutions in PRC for securing also necessary financial support with better lending terms for the development of its solar power plant business of the Target Group. In March 2013, CM Yinke, which is a fellow subsidiary of CMNEG, has issued a letter of conditional financial support to the Target Company in order to enable it meet its liabilities and obligation in connection with its existing and future solar energy business for the period up to 30 June 2014. In addition, the background of CMNEG helps the Target Group to maintain close and ongoing relationship with the government agencies and at the political level to maximise government support.

Ease Soar

Ease Soar is a limited liability company incorporated in the BVI on 6 March 2012. It is an indirect wholly-owned subsidiary of GCL-Poly, the shares of which are listed on the Main Board of the Stock Exchange. GCL-Poly and its subsidiaries are principally engaged in the manufacturing of polysilicon and wafers for the solar energy industry as well as the development, construction, management and operation of power plants. Power plants include cogeneration power plants, solar farms and rooftop solar power plant projects.

Currently the subsidiaries of GCL-Poly own certain Concession Rights in relation to the rooftop solar power plant projects which have been approved as Golden Sun Demonstration Projects and are eligible for Golden Sun Program subsidy. Such projects which form part of the business plan of the Target Group may be acquired by the Target Group in accordance with the framework agreements entered into between the Target Group and CGL-Poly Investment.

There is a long-term master supply agreement between GCL-Poly Group and the Group for the supply of polysilicon by GCL-Poly Group at prevailing market price. This will provide the Group with a reliable and stable supply of polysilicon which is important and beneficial to the Group.

China Green

China Green is a limited liability company incorporated in the BVI on 17 January 2007. As at the Latest Practicable Date, China Green was interested in 22,905,621 Shares, representing approximately 2.60% of the issued share capital of the Company. China Green is an indirect wholly-owned subsidiary of EBOD. EBOD is mainly engaged in the manufacturing and sales of solar power modules for electricity generation and the related application products, such as off-grid solar systems, solar lighting and solar power chargers. The Target Company was set up as a wholly-owned subsidiary of China Green on 6 March 2007.

Talesun

Talesun is a limited liability company incorporated in Hong Kong on 24 May 2011. It is an investment holding company and held by Zhongli Talesun, which is held as to 66.29% by Zhongli, the A-shares of which are listed on the Shenzhen Stock Exchange, 30.96% by Mr. Wang Baixing and 2.75% by Jiangsu Zhongding. Zhongli engages in the manufacturing and sales of, among others, wires, cables communication devices, as well as PV products, such as solar cells and PV modules, for the solar energy industry. Zhongli is also engaged in developing, constructing and operating solar power plants in the PRC.

Zhongli Talesun owns the Concession Rights in relation to some ground-based solar power plant projects and has entered into certain framework agreements with the Target Group, according to which the Target Group has acquired or may acquire such ground-based solar power plant projects from Zhongli Talesun or its subsidiaries. Most of such ground-based solar power plant projects are located in those regions where the PRC government puts emphasis on development of solar power generation systems under the 12th Five-Year Plan on Solar Power Development, such

as Gansu and Qinghai. For further details of the framework agreements and the ground-based solar power plant projects which have been acquired or may be acquired by the Target Group, please refer to Table A on pages 98 to 104 and Table D on pages 118 to 123 of this circular.

Hyatt Servicing

Hyatt Servicing is a limited liability company incorporated in the BVI on 21 November 1990. It is owned as to approximately 99.99% by Mr. Hung and approximately 0.01% by Mr. Chan Pang Ching. Hyatt Servicing is an investment holding company.

Mr. Hung and Jet Mile, a company which was owned as to 66.70% by Mr. Hung, were interested in an aggregate of 157,312,803 Shares, representing approximately 17.84% of the issued share capital of the Company as at the Latest Practicable Date. Jet Mile also held the Jet Mile Convertible Notes in the principal amount of HK$812,340,000 due 2015 convertible into 1,509,925,651 Shares at the conversion price of HK$0.538 (subject to adjustment) as at the Latest Practicable Date. Hyatt Servicing being an associate of Mr. Hung, who is a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. Hyatt Servicing became a shareholder of the Target Company on 23 May 2012 pursuant to a sale and purchase agreement dated 14 May 2012 at the consideration of HK$14,400,000.

Sino Arena

Sino Arena is a limited liability company incorporated in the BVI on 6 July 2012. Mr. Zeng Xiangyi, a director of CMNEG is the sole shareholder and the sole director of Sino Arena. Sino Arena is the trustee holding 25,000,000 shares of the Target Company on trust for the benefit of the Participants. Upon Completion, Sino Arena will hold the Consideration Shares and the Convertible Bonds (as the case may be) on trust for the benefit of the Participants.

PART B — INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated in the BVI on 8 February 2007 and has a total issued capital of US$5,750,000 divided into 575,000,000 ordinary shares of US$0.01 each. The Target Company is owned as to approximately 47.83% by CMNEG, approximately 17.39% by Ease Soar, approximately 8.69% by China Green, approximately 8.69% by Talesun, approximately 7.83% by the Purchaser, approximately 5.22% by Hyatt Servicing and approximately 4.35% by Sino Arena.

The Target Company is an investment holding company and the Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC.

It is the intention of the Target Company to position itself as the leading player in the design, development, investment, operation and management of solar power plants in the solar energy industry by taking advantage of the expertise and resources available from its shareholders and business partners, as well as the favourable state and local policies for solar energy industry in the PRC.

As at the Latest Practicable Date, the Target Group had entered into 12 binding framework agreements in relation to various solar power plant projects which may be developed or acquired by the Target Group. The Target Group intends to expand its solar power plants business by self-development of solar power plants and acquisition of solar power plants as contemplated by those legally binding framework agreements. As at the Latest Practicable Date, a total of 42 solar power plant projects covered under ten of the said framework agreements, with total power generation capacity amounting to approximately 2.16GW, have been identified and included in the Valuation Report. The fair value of the Concession Rights (i.e. the development, operation and other rights in relation to those 42 solar power plant projects as identified in the Valuation Report) was estimated to be approximately HK$2,660,000,000.

As at the Latest Practicable Date, the Target Group has entered into definitive agreements to acquire the development and operation rights in four solar power plant projects located in Jiangsu Province, Gansu Province and Qinghai Province, which are expected to commence commercial operation by end of 2013. The Target Group has also completed part of the construction of a self-developed demonstration project located in Shenzhen Qianhai District and approximately 2MW installations of this demonstration project have been put into operation.

A summary of the 42 solar power plant projects identified and included in the Valuation Report is set out below:

	Self-developed projects		**Projects to be acquired**	
	Rooftop	**Ground-based**	**Rooftop**	**Ground-based**
Total number of solar power plant projects *(generation capacity (MW))*	4 *(142MW)*	—	16 *(276.19MW)*	22 *(1,746MW)*
Total number of solar power plant projects completed or acquired as at the Latest Practicable Date *(generation capacity (MW))*	1 *(Note 1)* *(2MW)*	—	2 *(Note 2)* *(12MW)*	2 *(120MW)*

Notes:

1. This is the demonstration project in Shenzhen Qianhai District with a total expected generation capacity of 20MW. As at the Latest Practicable Date, approximately 2MW installations had been completed.

2. As at the Latest Practicable Date, the Target Group had completed the acquisition of the 90% and 51% interest in the two projects, respectively with the remaining equity interest of 10% and 49% of the relevant projects to be acquired by end of 2013.

In addition to the 42 solar power plant projects as identified and included in the Valuation Report, the Target Group will further explore acquisition and development of other suitable solar power plant projects as contemplated under the framework agreements. The Target Group's growth of the solar power plants business of the Target Group depends upon the Target Group's ability to convert its

pipeline projects into operating projects pursuant to its business plan in a timely manner and realisation of the legally binding framework agreements in relation to the Concession Rights into official or definitive acquisition agreements.

Please refer to the paragraph headed "Business and Business Plan for the Target Group" below, in particular, Table A for information on the framework agreements, Table B for information on the definitive agreements, Tables C and D for status of the solar power plant projects developed, owned or to be acquired by the Target Group and the Valuation Report contained in Appendix V to this circular for further information. Please also refer to the section headed "Risk Factors — Risks relating to the business of the Target Group" in this circular for further information.

1. HISTORY OF THE TARGET GROUP

Based on information provided by the Vendors, set out below is the history of the Target Group.

Target Company

The Target Company was incorporated in the BVI on 8 February 2007 with an initial authorised share capital of US$50,000 divided into 50,000 shares with US$1 each. Upon incorporation of the Target Company, 100 shares were allotted and issued at par to China Green, a subsidiary of EBOD on 6 March 2007.

On 27 March 2012, the Target Company entered into a subscription agreement with CMNEG, pursuant to which, CMNEG subscribed 220 ordinary shares from the Target Company in return for transferring 100% equity interest held by CMNEG in CTNE to the Target Company. CTNE was incorporated in the BVI and it mainly holds 25-year exclusive rights to develop rooftop solar power plants in China which was valued in the amount equal to HK$132,000,000. The subscription was completed on 2 April 2012. The issued share capital of the Target Company was by then increased to US$320, as CMNEG subscribed for 220 shares of US$1.00 each, which equals to 68.75% of the issued share capital and the name of the Target Company was changed from Sinofield Group Limited to China Merchants New Energy Holdings Limited.

On 19 April 2012, Target Company entered into a subscription agreement with GCL-Poly Investment, CMNEG and EBOD, pursuant to which (1) GCL-Poly Investment subscribed 80 ordinary shares of the Target Company at a cash consideration of HK$48,000,000 and (2) subject the terms thereof, the Target Company was required to allot additional shares in the Target Company to GCL-Poly Investment if the Target Group fails to achieve the target of owning and operating photovoltaic solar energy facilities in China with an aggregate nominal installed capacity of no less than 180MW in 3 years from the completion of the subscription, i.e. 30 April 2015, based on the fair market value of the development rights of the solar power plant projects assessed by an independent valuer. On the same day, GCL-Poly Investment assigned and transferred all of its rights and obligations under the subscription agreement to Ease Soar, a BVI company which is a subsidiary of GCL-Poly. The subscription was completed on 30 April 2012, and since then the Target Company was held as to 55% by CMNEG, 25% by China Green and the remaining 20% by Ease Soar, respectively. On 22 November 2012, an agreement was entered into, among others, GCL-Poly Investment, Ease Soar and the Target Company, pursuant to which, all the rights of GCL-Poly Investment under the relevant subscription agreement which have not been exercised, including the right to request for issue and allotment of additional shares in the Target Company,

shall cease and have no further effect upon Completion. Hence, no valuation of the development rights of the Target Company will be performed and no additional allotment of shares in the Target Company to GCL-Poly Investment will take place if the Parties proceed to Completion.

Pursuant to a sale and purchase agreement dated 14 May 2012, Profit Icon acquired 36 ordinary shares from China Green through an allotment of 22,905,621 new shares of the Company to China Green at the price of HK$0.943 per share. The transaction was completed on 23 May 2012. Following the completion of the acquisition, the Company owns 9% equity interests in the Target Company through Profit Icon.

Pursuant to another sale and purchase agreement dated 14 May 2012, Hyatt Servicing, a third party acquired 24 ordinary shares of the Target Company from China Green, at a cash consideration of HK$14,400,000. The transaction was completed on 23 May 2012. Following the completion of the acquisition, Hyatt Servicing owns 6% equity interests in the Target Company.

Pursuant to a subscription agreement dated 19 June 2012, Talesun, a third party, subscribed for 40 ordinary shares of the Target Company at a consideration of HK$50,000,000. The subscription was completed on 29 June 2012. Following the completion of the transaction, Talesun owns 9.09% equity interests in the Target Company.

Pursuant to the unanimous written resolution of the shareholders of the Target Company passed on 31 July 2012, the Target Company undertook a capital reorganisation pursuant to which every share of US$1.00 each in both the issued and unissued share capital of the Target Company was sub-divided into 100 shares of US$0.01 each. The authorised share capital of the Target Company was by then increased to US$20,000,000 divided into 2,000,000,000 Shares of US$0.01 each. Subsequent to the capital reorganisation, the Target Company issued and allotted additional 549,956,000 shares of US$0.01 each by capitalising a sum of US$5,499,560 standing to the credit of its share premium account of the Target Company and applying such sum in paying up in full at par to the shareholders in proportional to their shareholding in the Target Company.

On 31 July 2012, the Target Company adopted an equity incentive scheme for the benefit of the Participants, including its directors, employees and consultants by way of allotment and issue of an additional 25,000,000 shares of US$0.01 each to Sino Arena which holds the shares for the benefit of the Participants. Following the completion of the transaction, Sino Arena owns 4.35% equity interests in the Target Company.

Upon completion of all these transactions mentioned above and as at the Latest Practicable Date, the authorised share capital of the Target Company is US$20,000,000 divided into 2,000,000,000 Shares of US$0.01 each, of which 575,000,000 Shares of HK$0.01 each are in issue and are fully paid or credited as fully paid. The Target Company is owned as to approximately 47.83% by CMNEG, approximately 17.39% by Ease Soar, approximately 8.69% by China Green, approximately 8.69% by Talesun, approximately 7.83% by Profit Icon, approximately 5.22% by Hyatt Servicing and approximately 4.35% by Sino Arena.

Employee Incentive Scheme

The Target Company adopted the EIS to retain employees and to attract suitable talents for the continual operation and development of the Target Group on 31 July 2012. Under the EIS, the Target Company is authorised to issue, and had issued, a total of 25,000,0000 shares to Sino Arena, which will hold such shares for the benefit of the Participants. The EIS is subject to a vesting scale of (1) 30% on the first anniversary date of the date of the relevant trust documents entered into between Sino Arena as trustee and the Participants as beneficiaries ("**Reference Date**"); (2) 60% on the second anniversary date of the Reference Date; and (3) 100% on the third anniversary date of the Reference Date. Vesting of the shares will be conditional on the Participants remaining an employee of the Target Group. No further shares will be issued by the Target Company under the EIS.

Sino Arena is one of the Vendors and, upon Completion, Sino Arena will be issued of 20,010,000 Consideration Shares and Convertible Bonds in the principal amount of HK$80,040,000. Immediately upon allotment and issue of the Consideration Shares and Conversion Shares in full (assuming no further allotment and issue or repurchase of Shares prior to such allotment), Sino Arena will hold 3.33% of issued share capital of the Company. There will be no further dilutive effect on the issued share capital of the Company.

CMTST

CMTST is a company established in the PRC on 22 December 2006. The then sole shareholder was China Natures Technology Inc., which was wholly-owned by EBOD. The business scope under the business license of CMTST includes the production and sales of solar modules, development of the solar technology, comprehensive utilisation and transfer of the technological achievements and the design and installation of the solar power system.

Pursuant to a sale and purchase agreement dated 24 April 2007, the Target Company acquired the entire equity interest in CMTST from China Natures Technology INC. at a cash consideration of HK$7,000,000. Upon the completion of the entire equity transfer, CMTST became a wholly-owned and principal operating subsidiary of the Target Company. On 20 March 2012, 北京銀保弘迪股權投資管理中心(有限合夥) (Beijing Yin Bao Hong Di Shareholding Management Centre (Limited Partnership)[**]), a third party injected HK$5,500,000 (which equivalent to approximately RMB4,510,000) in to CMTST. After the capital injection, CMTST is held as to 91.6% by the Target Company and as to 8.4% by 北京銀保弘迪股權投資管理中心(有限合夥)(Beijing Yin Bao Hong Di Shareholding Management Centre (Limited Partnership)[**]). CMTST is principally engaged in the production and sales of solar modules, development of the solar technology, comprehensive utilisation and transfer of the technological achievements and the design and installation of the solar power system.

CTNE

CTNE was incorporated in the BVI with limited liability on 8 January 2008 as a wholly-owned subsidiary of CMNEG. In November and December 2011, CTNE entered into three cooperation framework agreements with three CMNEG Group enterprises. Pursuant to abovementioned three cooperation framework agreements, CTNE obtained exclusive use right of the rooftops of the buildings owned by these three enterprises with a total gross area of 1.22 million square meters for a

period of 25 years to develop rooftop solar power plants. CTNE became a wholly-owned subsidiary of the Target Company upon the completion of CMNEG transferring of its entire interest in CTNE to the Target Company on 2 April 2012. CTNE is principally engaged in investment holding business.

Faster Assets

Faster Assets was incorporated in the BVI with limited liability on 3 January 2007 as a wholly-owned subsidiary of EBOD. Faster Assets held the entire equity interest in CMBSS. On 15 January 2012, the Target Company acquired 100% equity interest of Faster Assets and its wholly-owned subsidiary CMBSS for a nominal consideration of US$1 from EBOD, the Target Company's then controlling shareholder.

CMBSS

CMBSS was established in the PRC on 25 June 2007 by Faster Assets. Its registered capital is RMB13,710,000 which has been fully paid up. On 17 February 2012, after the Target Company acquired the entire issue share capital of Faster Assets from EBOD, Faster Assets transferred its entire equity interest in CMBSS to CMTST and CMBSS became a wholly-owned subsidiary of CMTST.

XCNE

XCNE is a company established in the PRC on 26 August 2011 and a wholly-owned subsidiary of CMTST. The business scope under the business license of XCNE includes the development of new energy technology, technical advisory and providing technical services.

New Light

New Light is a company incorporated in Hong Kong with limited liability on 1 September 2009 and a wholly-owned subsidiary of CTNE. New Light is principally engaged in provision of administration services to the Target Group.

Sino Delight

Sino Delight is a company incorporated in the BVI with limited liability on 31 May 2012 and a wholly-owned subsidiary of Faster Assets. Sino Delight is principally engaged in investment holding business.

Upper Light

Upper Light is a company incorporated in the BVI with limited liability on 6 September 2012 and a wholly-owned subsidiary of Faster Assets. Upper Light is principally engaged in investment holding business.

CMSZ

CMSZ was established in the PRC on 27 April 2012 and is a wholly-owned subsidiary of New Light. Its registered capital is HK$65,000,000 and its paid-up capital is HK$55,000,000. The business scope under the business license of CMSZ includes design and installation of solar power systems, research and development of solar power products and solar technology, promotion and transfer of technological achievements, research, development and technical maintenance of energy saving technology and the environmental protection technology, import and export of products and technologies. In May 2012, CMSZ commenced the development of the rooftop solar power plant in Shenzhen Qianhai with a total projected capacity of approximately 9.7MW. As at the Latest Practicable Date, CMSZ had completed the development of a rooftop solar power plant in Shenzhen Qianhai with initial generation capacity of approximately 2MW.

Fortune Wheel

Fortune Wheel is a company incorporated in Hong Kong with limited liability on 19 April 2012 and a wholly-owned subsidiary of Sino Delight. Fortune Wheel is principally engaged in investment holding business.

Profit Giant

Profit Giant is a company incorporated in Hong Kong with limited liability on 27 September 2012 and a wholly-owned subsidiary of Upper Light. Profit Giant is principally engaged in investment holding business.

Xuzhou GCL

Xuzhou GCL was established in the PRC on 31 December 2012 by a member of GCL-Poly Group. On 5 February 2013, CMSZ acquired 90% equity interest in Xuzhou GCL for a consideration of RMB6,345,000 determined by reference to the registered capital of Xuzhou GCL from the member of GCL-Poly Group pursuant to a definitive sale and purchase agreement entered into on 20 December 2012. The business scope under the business license of it includes development of PV solar projects and import and export of products and technologies.

Xuzhou Xinneng

Xuzhou Xinneng was established in the PRC on 8 January 2013 by a member of GCL-Poly Group. On 6 February 2013, CMSZ acquired 51% equity interest in Xuzhou Xinneng for a consideration of RM17,477,700 determined by reference to the registered capital of Xuzhou Xinneng from the member of GCL-Poly Group pursuant to a definitive sale and purchase agreement entered into on 20 December 2012 and supplemental agreement entered into on 19 February 2013. The business scope under the business license of it includes development of PV solar projects and import and export of products and technologies.

Zhongli Changzhou

Zhongli Changzhou was established in the PRC on 12 June 2012 by Zhongli Talesun. On 11 July 2012, Zhongli Talesun transferred its 10% equity interest in Zhongli Changzhou to Jiangsu Zhongli. As a result, Zhongli Talesun and Jiangsu Zhongli owned 90% and 10% of the interest in Zhongli Changzhou, respectively. Zhongli Changzhou holds 100% equity interest in Zhongli Jiayuguan and Zhongli Gonghe, which in turn own the rights of preparation, investment, construction and operation in respect of two of the solar power plant projects under the framework agreement entered into by Zhongli Talesun and the Target Company on 19 June 2012, as supplemented by two supplemental agreements dated 19 June 2012 and 29 August 2012 respectively. On 22 December 2012, CMSZ entered into an equity interest transfer agreement with Zhongli Talesun and Jiangsu Zhongli for acquiring 100% equity interest in Zhongli Changzhou for a consideration of RMB10,000,000, which was determined by reference to the registered capital of Zhongli Changzhou. The acquisition was completed on 24 December 2012 and Zhongli Changzhou became a wholly-owned subsidiary of the CMSZ.

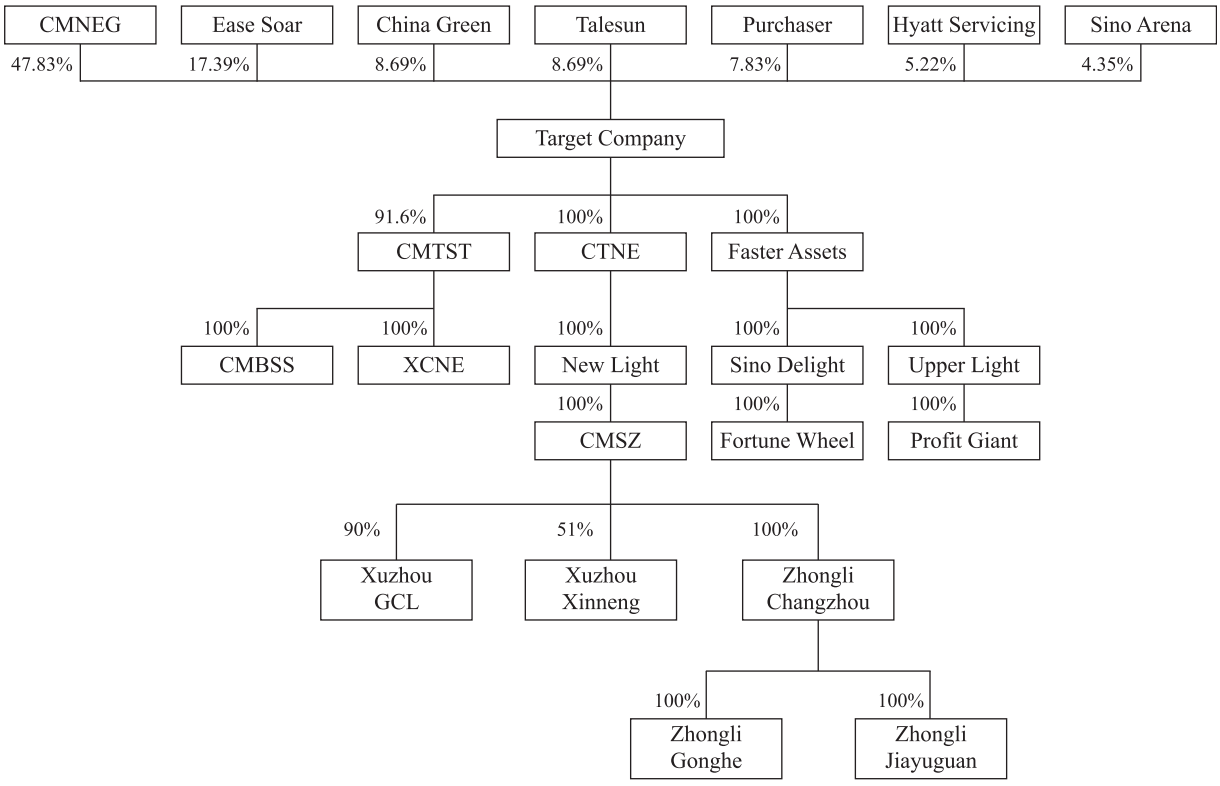
Zhongli Gonghe

Zhongli Gonghe is a company established in the PRC on 12 September 2012 and a wholly-owned subsidiary of Zhongli Changzhou. Zhongli Gonghe is principally engaged in investment, construction, operation, maintenance and management of solar power plants and is currently owning the rights of preparation, investment, construction and operation in respect of the project of Project Gonghe.

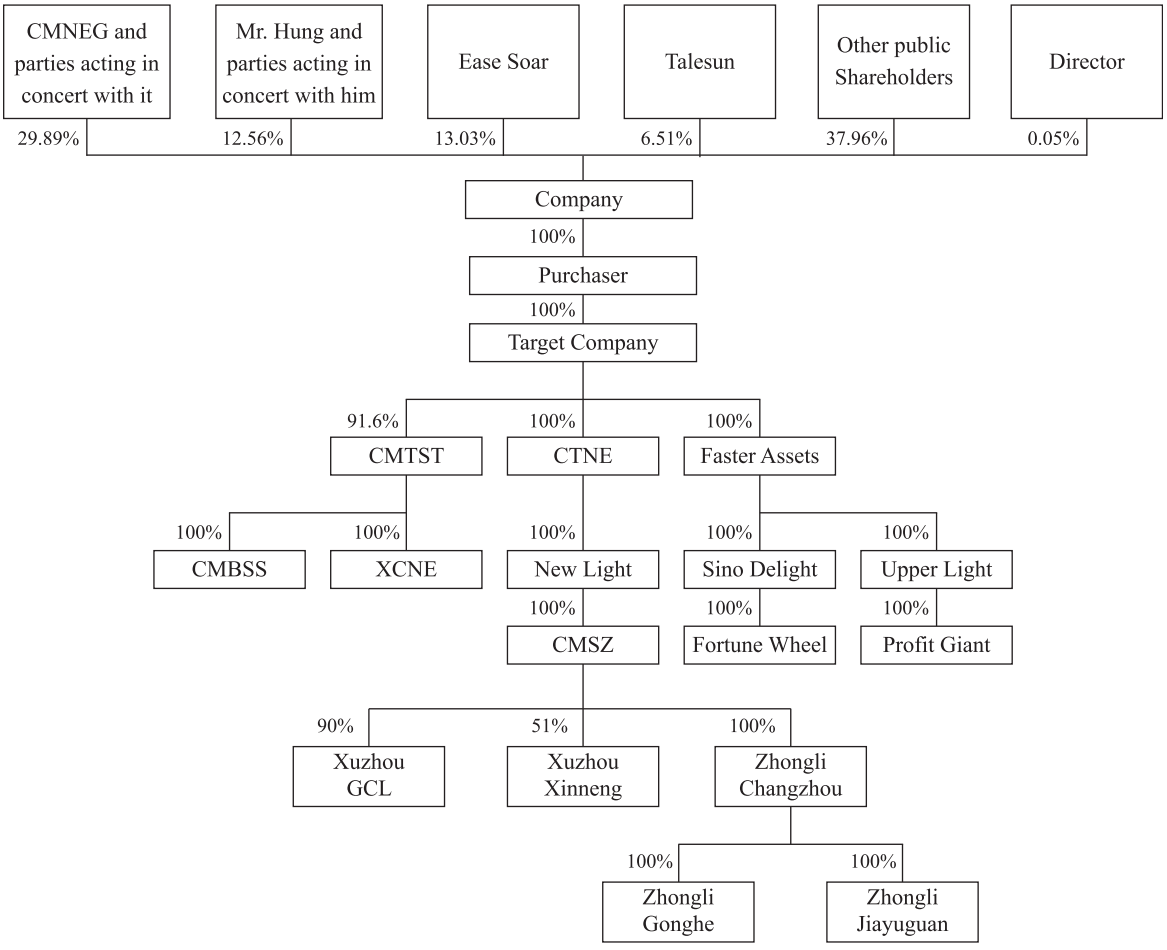
Zhongli Jiayuguan

Zhongli Jiayuguan is a company established in the PRC on 16 May 2012 and a wholly-owned subsidiary of Zhongli Changzhou. Zhongli Jiayuguan is principally engaged in investment, construction, operation, maintenance and management of solar power plants and is currently owning the rights of preparation, investment, construction and operation in respect of Project Jiayuguan (A).

Current shareholding structure of the Target Group:



The structure of the Target Group upon Completion is set forth as follows:



Financial information

Set out below are certain consolidated financial information of the Target Group for each of the three financial years ended 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2010 *RMB'000*	For the year ended 31 December 2011 *RMB'000*	For the year ended 31 December 2012 *RMB'000*
Revenue*	44,967	60,144	8,883
Net profit/(loss) before tax	1,744	(728)	(34,765)
Net profit/(loss) after tax	1,681	(728)	(34,765)

* For the year ended 31 December 2012, the revenue of RMB8,760,000 was derived from operating of solar energy products and solution, and the revenue of RMB123,000 was derived from the business in the design, development investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group was considered as an agent in certain sales transactions undertaken with a subsidiary of the Company at gross billing of approximately RMB107 million. The related revenue was stated at net basis according to HKAS 18 Revenue.

For the year ended 31 December 2011, revenue of RMB60,144,000 was all derived from operating of solar energy products and solution.

For the year ended 31 December 2010, the revenue of RMB44,967,000 was all derived from operating of solar energy products and solution.

As at 31 December 2010, 31 December 2011 and 31 December 2012, the consolidated net asset value of the Target Group was approximately RMB504,000, RMB441,000 and RMB216,580,000, respectively.

2. COMPETITIVE STRENGTHS OF THE TARGET GROUP

Benefit from current government policies which encourage and promote the development of solar energy

The Target Group's solar power business has enabled it to benefit from various favourable government policies which encourage the development of solar energy. The PRC government is committed to the development of solar energy by implementing various incentive policies. The 12th Five-Year Plan on Solar Power Development promulgated in July 2012 further increased the installed capacity targets to 21GW and 50GW by 2015 and 2020 respectively. The 12th Five-Year Plan on Solar Power Development may direct a total investment of approximately RMB250 billion in the solar power projects during the period of the 12th Five-Year Plan on Solar Power Development. The 12th Five-Year Plan on Solar Power Development indicates that the Chinese government is determined to develop solar power generation with tremendous efforts.

In July 2011, the NDRC announced the Notice on Perfection of Policy Regarding FiT of Power Generated by Solar PV (《關於完善太陽能光伏發電上網電價政策的通知》) in an effort to boost China's domestic solar energy industry. Except the districts in Tibet, the FiT scheme provides for a tariff of RMB1 per KWh for solar power plant projects which are completed and connected to the State Grid in 2012 and onwards. The FiT scheme reduces the downside risks of solar energy plants owners and operators which may encourage solar power plant installation in PRC. It ensures a stable return rate to the solar power plant operators.

The Golden Sun Program is another national solar subsidy program. The program was established in July 2009 and announced by the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration of the NDRC. The Golden Sun Program provides upfront subsidies for qualified demonstrative solar power plant projects. In accordance with the Notice on the Publication of the 2012 Golden Sun Demonstration Projects List (《關於公佈2012年金太陽示範項目目錄的通知》) which was jointly announced by the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration on 28 April 2012, RMB5.5 per watt of subsidy will be granted to the 2012 user side PV power generation project. As at the Latest Practicable Date, the Target Group had obtained approximately 25MW of the solar power plant projects under the 2012 Golden Sun Demonstration Projects List.

The Directors believe that the Target Group will continue to benefit from the aforesaid government policies.

Good locations of the projects acquired or to be acquired by the Target Group

The PRC government has adopted the policy to encourage the installation of solar power generation systems to the existing buildings located in the middle and the eastern, western or northwest regions of China and increase the local energy supply by constructing and connecting solar power plants with a total capacity of 10GW to grid in the middle and the eastern, western or northwest regions with abundant sunshine and land resources, such as Qinghai, Xinjiang, Gansu and Inner Mongolia.

The Target Group has secured long-term exclusive rights to develop rooftop solar power plants on the properties of CMNEG Group with a total gross area of 1.22 million square meters for a period of 25 years under the relevant cooperation framework agreements. As the CMNEG Group enterprises own various properties across China, it provides the Target Group with access to the rooftops of the suitable properties owned by the CMNEG Group enterprises in the middle and the eastern, western or northwest regions where the PRC government puts emphasis on development of solar power generation systems. It is also a development strategy of the Target Group to acquire solar power plant projects located in the middle and the eastern regions. A number of the solar power plant projects acquired or to be acquired are located in those regions. The Target Group will benefit from such national incentive policies. For further details of the cooperation framework agreements and the solar power plant projects which may be developed or acquired by the Target Group, please refer to table A, table B, table C and table D on pages 98 to 123 of this circular.

Strong and Reputable Ultimate Shareholders/Business Partners

The ultimate shareholders/business partners of the Target Company include China Merchants Group Limited, GCL-Poly and Zhongli.

China Merchants Group Limited is an "A-level state-owned enterprise" engages in various major business sectors in the PRC through its subsidiaries, such as transportation and related infrastructure, financial investment and asset management, as well as property development and management. GCL-Poly is one of the world's leading producers of PV products. Zhongli, the A-shares of which are listed on the Shanzhen Stock Exchange, is another active player in the solar energy industry in the PRC. As the leading players in the solar power industry, the ultimate shareholders/business partners of the Target Company have extensive solar knowledge with requisite resources to keep abreast the market demand and trend in the solar energy industry, as well as requisite resources, both financial and expertise to capture opportunities in the solar power industry.

The relationships with these ultimate shareholders/business partners will better position the Target Company as a strong player in the development, operation and management of solar power plants in the solar energy industry by taking advantage of the expertise and resources available from its ultimate shareholders/business partners. Most of the solar power plant projects which may be acquired by the Target Group are currently owned or to be developed by such ultimate shareholders/business partners of the Target Group. To assist the Target Group to become a industry leader in the design, development, investment, operation and management of solar power plants in the solar energy industry and to restructure their solar power business to better capture the opportunities arising from the various national incentive policies, the ultimate shareholders/business partners of the Target Group are willing and able to transfer the Concession Rights in relation to their respective solar power plant projects to the Target Group, subject to further negotiation and finalisation of definitive agreements.

In addition, the solar energy industry requires intensive capital investment. Ground-based solar power plant projects involves foundation works typically give rise to high construction costs. As such, new entrants need to secure a significant amount of capital to enter the industry. The strong background of the ultimate shareholders/business of the Target Group allows the Target Group to secure necessary financial support for the development and acquisition of solar power plant projects in a timely manner. On 14 March 2013, CM Yinke, which is a fellow subsidiary of CMNEG has issued a letter of conditional financial support to the Target Group to enable it to meet its future capital commitment funding needs until 30 June 2014.

Ability to respond to and leverage on market consolidation and integration

The targets set by the 12th Five-Year Plan on Solar Power Development will be implemented by the state/regional authorities, which will be responsible for the allocation of the installed capacity as announced by the PRC government to those solar power plants operators who submitted applications with the necessary qualification and capacity. The market players have to respond promptly and find way to expand their capacity because once they acquired the rights granted by the government, they can effectively block the entry of new competitors or their competitors in a particular region and enjoy the benefits of the government subsidies. This consolidation process intensifies the competition among market players and allows the stronger players to grow while the underperforming players will be forced to reduce or exit.

As at the Latest Practicable Date, the Target Group has acquired the Concession Rights with projected installed capacity of up to approximately 2.16GW which are owned or may be acquired by the Target Group in or prior to the year 2015 as contemplated under certain agreements or framework agreements entered into by the Target Group on or before 31 December 2012. Most of the rooftop solar power plant projects acquired or may be acquired by the Target Group have been approved as Golden Sun Demonstration Projects and are eligible for Golden Sun Program subsidy. This gives the Target Group a competitive advantage over its competitors.

Experienced and Qualified Management Team

The Target Group has a senior management team comprising a group of highly experienced professionals in the solar energy industry. Most of the members of the senior management team of the Target Group have more than 5 years of work experience in the solar energy industry. The Directors believe that the senior management team of the Target Group possesses in-depth knowledge critical to success in the solar energy industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management schemes.

3. BUSINESS AND BUSINESS PLAN FOR THE TARGET GROUP

It is the intention of the Target Company to position itself as the leading player in the design, development, investment, operation and management of solar power plants in the solar energy industry.

With the implementation of the 12th Five-Year Plan on Solar Power Development, the Target Group is in a favourable position as a solar energy industry participant to the solar energy market.

Business of the Target Group

The 12th Five-Year Plan on Solar Power Development laid down the roadmap for solar energy industry and will drive the development of solar power plants nationwide. The target of installed capacity was raised to 21GW and 50GW by 2015 and 2020, respectively and the future growth potential of solar energy industry is substantial.

The Target Company responded proactively and secured the opportunity to further develop its solar power plants business by taking advantage of its own expertise and resources and the resources available from its shareholders and business partners, who are industry leaders, by entering into a series of cooperation framework agreements.

Rooftop solar power plant projects

Taking advantage of supportive government policies, the Target Group acquired and is developing quality rooftop solar power plant projects, which include:

(1) *20MW Rooftop Demonstration Project in Shenzhen (i.e. Project Baoshui as set out in Table C on page 116)*

It is a demonstration project located in Shenzhen Qianhai District, the newest special economic zone established in Shenzhen, and will be an important base for the Target Group to continuously promote renewable energy awareness and expand rooftop solar power plant business. This is a large-scale rooftop solar power plant project with projected solar electricity generation capital of 20MW. The project is wholly developed and invested by the Target Group. As at the Latest Practicable Date, approximately 2MW installations had been completed and satisfied the grid-connection requirements of the government. Commercial operation for approximately 2MW installations have commenced and the electricity generated is sold to users in Shenzhen Qianhai District since November 2012. This 20MW rooftop demonstration project is expected to apply for financial subsidy from the Ministry of Finance under Golden Sun Program in 2013.

(2) *10MW Rooftop Project in Jiangsu Province (i.e. Project Xiexin Guicailiao as set out in Table C on page 110)*

The Target Group has completed the acquisition of 51% equity interest in Xuzhou Xinneng at the consideration of RMB17,477,700 in February 2013 and it will acquire the remaining 49% equity interest in Xuzhou Xinneng by end of 2013. Upon acquisition of the entire equity interest in Xuzhou Xinneng and subject to government administrative and approval procedure, Xuzhou Xinneng will hold the right to develop and operate a rooftop solar power plant project in Jiangsu Province with projected electricity generation capacity of 10MW. The project has enrolled for the Golden Sun Program launched by the PRC government in 2012 and approximately RMB55 million will be granted from the Minister of Finance. This project proposal has been examined and approved by NDRC in Jiangsu in 2012 and is expected to be completed and commence operation by end of 2013.

(3) *2MW Rooftop Project in Jiangsu Province (i.e. Project Zhongneng as set out in Table C on page 111)*

In February 2013, the Target Group has also completed the acquisition of 90% equity interest in Xuzhou GCL at the consideration of RMB6,345,000. The acquisition of the remaining 10% equity interest in Xuzhou GCL is expected to complete by end of 2013. Upon acquisition of the entire equity interest in Xuzhou GCL and subject to government administrative and approval procedure, Xuzhou GCL will hold the right to develop and operate a 2MW rooftop solar power plant project in Jiangsu Province. The project has enrolled for the Golden Sun Program launched by the PRC government in 2012 and approximately RMB11 million will be granted from the Ministry of Finance. This project proposal has been examined and approved by NDRC in Jiangsu in 2012 and is expected to be completed and commence operation by end of 2013.

Ground-based solar power plant projects

The FiT scheme released by the PRC government provides guaranteed return on ground-based solar power plant projects and increased the Target Group's confidence in its further investment in solar energy industry. Leveraged on its successful experience in rooftop solar power plant projects, the Target Group has been active in reviewing projects, which are in progress and in different stages of development. In 2012, the Target Group has acquired the following large-scale ground-based solar power plant projects:

(1) *100MW Ground-based Project in Gansu Province (i.e. Project Jiayuguan (A) as set out in Table D on page 118)*

This large-scale ground-based solar power plant project is located in Gansu Province, where the solar resource is rich. This project is now wholly-owned by the Target Group through its acquisition of 100% equity interest in Zhongli Changzhou in 2012. Zhongli Changzhou holds the development and operation rights in this ground-based solar power plant project through Zhongli Jiayuguan. This project was approved by NDRC in Gansu in 2012. In December 2012, the project company Zhongli Jiayuguan has obtained the approval for the on-grid connection system arrangement from Gansu Electric Power Corporation, the local branch of State Grid. As advised by the Target Group, it is expected that the project will satisfy the on-grid connection requirements of the government by end of 2013, and subject to the inspection of the project after its on-grid connection and the completion of the other procedures required by the PRC Laws and the relevant competent authorities, the solar power plant will commence operation and generate income by end of 2013. Zhongli Jiayuguan will enter into an agreement for the grid connection and despatch and power purchase with the local grid company. The electricity sales price under FiT is approximately RMB1.0/KWh, when collected from the local grid company, provides a good and safe return for the Target Group's investment in the project.

(2) *20MW Ground-based Project in Qinghai Province (i.e. Project Gonghe as set out in Table D on page 118)*

Target Company completed the acquisition of 100% equity interest in Zhongli Changzhou in 2012. Zhongli Changzhou holds the development and operation rights in this 20MW ground-based solar power plant project through Zhongli Gonghe. This project was approved by NDRC in Qinghai in 2012. In February 2013, the project company Zhongli Gonghe has obtained the approval for the on-grid connection system arrangement from Qinghai Electric Power Corporation, the local branch of State Grid. As advised by the Target Group, it is expected that the project will satisfy the on-grid connection requirements of government by end of 2013, and subject to the inspection of the project after its on-grid connection and the completion of the other procedures required by the PRC Laws and the relevant competent authorities, the solar power plant will commence operation and generate income by end of 2013. Zhongli Gonghe will enter into an agreement for the grid connection and despatch and power purchase with the local grid company. The income of this project will be derived from the FiT of approximately RMB1.0/KWh.

With the experience accumulated in investment, development and management of these existing solar power plant projects, the Target Group is well prepared to develop and expand the market share in the solar energy market.

Business Plan for the Target Group

Self-development of solar power plants

The Target Group has entered into certain legally binding cooperation framework agreements with three CMNEG Group enterprises. According to the cooperation framework agreements, the Target Group was granted the exclusive use right of the rooftops of the buildings owned by such enterprises in the PRC with a total gross area of approximately 1.22 million square meters for a period of 25 years for installation of the solar power plants on such rooftops. The Target Group has also entered into certain legally binding agreements with Independent Third Parties, pursuant to which the Target Group has the exclusive right to lease the rooftops of the properties owned by such Independent Third Parties for installation of rooftop solar power plants/systems. For further details of the cooperation framework agreements with three CMNEG Group enterprises and the agreements with Independent Third Parties, please refer to table A on pages 98 to 104 of this circular. It is anticipated that the Target Group will complete the installation of solar power plants with a total capacity of approximately 122MW on the rooftops of the buildings owned by the three CMNEG Group enterprises by 2015 as further detailed in "Table C — Status of the rooftop solar power plant projects developed, owned or to be acquired by the Target Group in relation to the Concession Rights as at the Latest Practicable Date" herein below.

Acquisitions of solar power plants from business partners

The Target Group also looks for the opportunities to cooperate with its business partners to develop solar power plants or to acquire the solar power plants owned or to be developed by its business partners with good prospects and potential for high investment returns. The Target Company has strategically entered into certain legally binding cooperation agreements for the cooperation with Zhongli Talesun, GCL-Poly Investment and certain Independent Third Parties for the investment, development and operation of both ground-based and rooftop solar power plant projects. Some of these projects are eligible for the Golden Sun Program. Pursuant to the aforementioned cooperation agreements entered into as at the Latest Practicable Date, it is anticipated that the total capacity of the solar power plant projects which are owned or may be acquired by the Target Group in the PRC will be approximately 2.16GW and 5GW by the financial years ending 31 December 2015 and 31 December 2017 respectively.

The proposed investment, development and operation of solar power plant projects as contemplated by the relevant cooperation agreements are subject to definitive sale and purchase agreements which will contain, *inter alia*, usual conditions precedent customary for similar transactions and subject to government approvals, agreement by the parties on the consideration, satisfactory due diligence results, the then cash flow and capital sufficiency of the Target Company. Save as disclosed herein, the relevant cooperation agreements do not prescribe for specific capital commitment or implementation timetable. Save as disclosed herein, there is no designated companies in the Enlarged Group for the solar power plant projects as contemplated under the framework agreements. Depending on the feasibility studies, negotiation with the relevant counterparties, and applicable PRC laws and regulations regarding foreign investment in

solar power plant projects, the Enlarged Group will set up new project companies, or nominate existing group companies, or set up joint venture for the purpose of undertaking the relevant solar power plant projects. The Company will make further announcement and will comply with all applicable requirements under the Listing Rules as and when appropriate in relation to the entering into of such definitive agreements after the Completion.

Table A sets out the key features of the solar power plant projects as contemplated by the relevant agreements or cooperation agreements entered into by the Target Group as at the Latest Practicable Date. Table B sets out the summary of the definitive sale and purchase agreements in relation to the solar power plant projects acquired by the Target Group as at the Latest Practicable Date. Table C and Table D set out the status of the rooftop solar power plant projects and ground-based solar power plant projects, which are either developed, owned or to be acquired by the Target Group as at the Latest Practicable Date.

For each projects acquired by the Target Group as set out in Table B below, the Target Group has conducted feasibility studies to investigate project location, project size, duration of the project, construction progress, grid connection capability and establish the economic viability of the relevant solar power plants.

(1) *10MW Rooftop Project in Jiangsu Province (i.e. Project Xiexin Guicailiao as set out in Table C on page 110)*

This rooftop project is located in Xuzhou city of Jiangsu Province, which is a vibrant city for economic development. The project makes reasonable use of existing local infrastructure and grid connection facilities. The electricity generation capacity of plant is approximately 10MW, which is economically efficient with reference to local solar radiation level and the electricity sales price. The development schedule for the project anticipates completion of construction with commercial operation commencing by end of 2013. The lease for the rooftop is for a term of 25 years, which is commensurate with the expected duration of the project. The project's grid connection capability satisfied the government requirements and other designated performance factors adopted by the Target Company. Financial subsidy under Golden Sun Program has been approved.

(2) *2MW Rooftop Project in Jiangsu Province (i.e. Project Zhongneng as set out in Table C on page 111)*

This rooftop project is also located in Xuzhou city of Jiangsu Province. The project has access to existing local infrastructure and grid connection facilities. The electricity generation capacity of plant is approximately 2MW, which is economically efficient with reference to local solar radiation level and the electricity sales price. According to the current development schedule, construction of the project will be completed and commercial operation will commence by end of 2013. The lease for the rooftop is for a term of 25 years, which is commensurate with the expected duration of the project. The project's grid connection capability satisfied the government requirements and other designated performance factors adopted by the Target Company. Financial subsidy under Golden Sun Program has been approved.

(3) *100MW Ground-based Project in Gansu Province (i.e. Project Jiayuguan (A) as set out in Table D on page 118)*

This ground-based project is located at Jiayuguan city of Gansu Province where the solar illumination condition is good. The location of the project is convenient with existing grid connection facilities. The electricity generation capacity of plant is approximately 100MW, which is economically efficient with reference to high solar radiation level and the electricity sales price. It is expected that the project will be completed construction and commence commercial operation by end of 2013. The quality of major project equipment is in good condition with warranty lasts for 25 years. Based on preliminary technical investigation, the project's grid connection capability satisfied the government requirements and other designated performance factors adopted by the Target Company. The Target Group expects keen competition in the region but is of the view that this solar power plant would benefit from large-scale development, and it is expected that economies of scale will significantly reduce unit capital.

(4) *20MW Ground-based Project in Qinghai Province (i.e. Project Gonghe as set out in Table D on page 118)*

This ground-based project is located at Gonghe county of Qinghai Province. The location of the project is convenient with existing grid connection facilities. The electricity generation capacity of plant is approximately 20MW, which is economically efficient with reference to high solar radiation level and the electricity sales price. It is expected that the project will be completed construction and commence commercial operation by end of 2013. The quality of major project equipment is in good condition with warranty lasts for 25 years. Based on preliminary technical investigation, the project's grid connection capability satisfied the government requirements and other designated performance factors adopted by the Target Company.

The Target Group has also conducted preliminary review and studies of the other projects as contemplated by framework agreements signed by the Target Group in relation to the Concession Rights. Such preliminary review includes government approval status, expected project size and location and the tentative development schedule based on information or documents provided by, or agreed by, the relevant counterparties. The preliminary review and studies were undertaken to enable to Target Group to form the view as to whether it is commercially feasible for the Target Group to enter into framework agreements for such projects. The framework agreements form the basis of further due diligence and negotiations of terms and conditions for the acquisition of such projects.

Table A: Key features of the solar power plant projects (with expected life of 25 years) as contemplated by legally binding agreements or cooperation agreements the Target Group had entered into as at the Latest Practicable Date

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
1.	18 June 2012 (as supplemented by a supplemental agreement dated 19 July 2012) GCL-Poly Investment and the Target Company	Acquisition by the Target Company of the entire equity interest of project companies for certain rooftop solar power plants, which are projects eligible for the Golden Sun Program.	The Target Company undertakes to enter into the agreement in relation to the acquisition of the entire equity interest of project companies for certain rooftop solar power plants, which are projects eligible for the Golden Sun Program, within 5 working days upon receiving notification of approval for the subsidy. The Target Company shall pay to GCL-Poly Investment or its designated party certain early stage development fees of RMB1/W for the projects by installments. The total early stage development fees were determined by reference to the total capacity of approximately 64MW as contemplated under the agreement. As at the Latest Practicable Date, the Target Company had paid RMB18,902,000 to GCL-Poly Investment as early stage development fees.	Projects to be acquired for development *(Note 2)*	Jiangsu, the PRC	Approximately 64MW by 30 June 2013	64MW	Project Nantong; Project Xiexin Guicailiao; Project Zhongneng; Project Fulaite; Project Suzhou Gongyeyuan; Project Xuyi; Project Dongwang Gongmao; Project Wuxi Yixing; and Project Yangzhou

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
2.	19 June 2012 (as supplemented by a supplemental agreement dated the same date and a second supplemental agreement dated 29 August 2012) Zhongli Talesun and the Target Company	Acquisition by the Target Company of the equity interest of project companies for certain completed solar power plants, which are connected to the State Grid. The targeted power plant projects cover both ground-based and rooftop solar power plants.	Provided that the completed solar power plants satisfy the technical standards and financial requirements of the Target Company, the Target Company shall acquire the equity interest of the project companies for the completed solar power plants; and The Target Company undertakes that it shall complete the acquisition of the equity interest of project companies for solar power plants with a total capacity of 100MW by 2012 subject to various conditions precedent.	To acquire the completed solar power plant projects *(Note 3)*	Gansu, Qinghai, Xinjiang, Xuzhou provinces in the PRC	Approximately 2,000MW by 2017	444MW	Project Xuzhou Fengxian (A); Project Xuzhou Fengxian (B); Project Jiayuguan (A); Project Jiayuguan (B); Project Qinghai; and Project Gonghe
3.	25 August 2012 Independent Third Party and the Target Company	Acquisition by the Target Company of the equity interest of project companies for certain rooftop solar power plants, which satisfy the technical standards and financial requirements of the Target Company.	The Target Company shall have first right of refusal to acquire the equity interest of the project companies for the solar power plants which satisfy the technical standards and financial requirements of the Target Company based on the same terms and conditions which any persons may offer to the Independent Third Party.	To acquire the completed solar power plant projects	Jiangsu in the PRC	Approximately 300MW by 2015	155MW	Project Yangzijiang; and Project Jiangyin Lingangxincheng

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
4.	29 August 2012 Independent Third Party, EBOD and the Target Company	Acquisition by the Target Company of the equity interest of project companies for certain solar power plants, which satisfy the technical standards and financial requirements of the Target Company. The targeted power plant projects cover both ground-based and rooftop solar power plants.	The Target Company shall have first right of refusal (provided that the solar power plants satisfy the technical standards and financial requirements of the Target Company, the Company shall be obliged) to acquire the equity interest of the project companies for the solar power plants based on the same terms and conditions which any persons may offer to the Independent Third Party.	To acquire the completed solar power plant projects	Qinghai, Jiangsu, Anhui, Inner Mongolia, Ningxia, Xinjiang and Gansu	Approximately 200MW by 2013	N/A	N/A (projects yet to be identified)
5.	30 August 2012 Independent Third Party, EBOD and the Target Company	Acquisition by the Target Company of 70% of the equity interest of project companies for certain completed solar power plants, which satisfy the technical standards and financial requirements of the Target Company. The targeted power plant projects cover both ground-based and rooftop solar power plants.	Provided that the completed solar power plants satisfy the technical standards and financial requirements of the Target Company, the Target Company shall acquire 70% of the equity interest of the project companies for such solar power plants.	To acquire the completed solar power plant projects	Northwest, eastern and northern regions of the PRC (including Xinjiang) and Japan	Approximately 450MW by 2015	14MW	Project Maigaiti

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
6.	31 August 2012 Independent Third Party, EBOD, and the Target Company	Acquisition by the Target Company of 70% of the equity interest of project companies for certain completed solar power plants, which satisfy the technical standards and financial requirements of the Target Company. The targeted power plant projects cover both ground-based and rooftop solar power plants.	Provided that the completed solar power plants satisfy the technical standards and financial requirements of the Target Company, the Target Company shall acquire 70% of the equity interest of the project companies for such solar power plants.	To acquire the completed solar power plant projects	Northwest, eastern and northern regions (including Gansu and Qinghai) in the PRC	Approximately 500MW by 2015	252MW	Project Gaoyazitan; Project Heqingtan; Project Dunhuang Shi; Project Hongshagang; Project Jinta; and Project Geermu Erqi
7.	14 November 2012 (supersedes and replaces the former agreements dated 2 August 2012) GCL-Poly Investment, EBOD and the Target Company	Acquisition by the Target Company of the equity interest of project companies (or their respective holding companies) with respect to certain power plant projects which are completed or under construction within the coming 5 years. The targeted power plant projects cover both ground-based and rooftop solar power plants.	Provided that the solar power plant projects satisfy the financial requirements to be agreed between GCL-Investment and the Target Company, the Target Company shall have the right of first priority to have its acquisition offer considered by GCL-Poly Investment for the acquisition of equity interest of the project companies (or their respective holding companies) for such solar power plant projects based on the same terms and conditions which any persons may offer to GCL-Poly Investment.	To acquire completed projects with approximately 3MW projected solar electricity capacity. The remaining projects with approximately 1,090MW projected solar electricity generation capacity will be acquired for development	Shanxi, Jiangsu, Xizang, Gansu, Liaoning and Xinjiang in the PRC	Approximately 1,393MW by 2017	1,093MW	Project Datong; Project Funing; Project Nanjing Guangu; Project Datong Dangliuzhuang (Phase 1); Project Datong Dangliuzhuang (Phase 2); Project Datong Xinrong; Project Datong Hunyuan; Project Sangri; Project Sihong; Project Minle; Project Pei Xian; Project Fumeng; Project Yumen; and Project Jiuquan

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
8.	28 November 2011 CMLH and CTNE	Development of rooftop solar power plants/systems by the Target Company over the rooftops of the warehouses and distribution centres of certain logistics networks owned by CMLH in the PRC with a total area of not less than 1,000,000 square meters for a term of 25 years.	Exclusive right to lease the rooftop for installation of rooftop solar power plants/ systems.	Self-development	Beijing, Shanghai, Tianjin, Chongqing, Anhui, Sichuan, Guizhou, Hunan, Hubei, Shaanxi, Liaoning, Heilongjiang, Jilin, Guangdong, Jiangsu, Fujian, Henan in the PRC *(Note 6)*	100MW by 2015	100MW	Project Wuliu
9.	29 December 2011 CSOSA and CTNE	Development of rooftop solar power plants/systems by the Target Company over the rooftops of certain properties owned by CSOSA in the PRC with a total area of not less than 20,000 square meters for a term of 25 years.	Exclusive right to lease the rooftop for installation of rooftop solar power plants/ systems.	Self-development	Shenzhen, Guangdong Province in the PRC *(Note 6)*	2MW by 2015	2MW	Project Waidai
10.	30 December 2011 CMBL and CTNE	Development of rooftop solar power plants/systems by the Target Company over the rooftops of certain properties owned by CMBL in the PRC with a total area of not less than 200,000 square meters for a term of 25 years.	Exclusive right to lease the rooftop for installation of rooftop solar power plants/ systems.	Self-development	Shenzhen, Guangdong Province in the PRC *(Note 6)*	20MW by 2015	20MW	Project Baoshui

	Date of agreement/party	Subject matter	Rights/Obligations of the Target Group	Nature of the Concession Rights	Tentative location(s) of solar power plant projects	Maximum contracted/ projected solar electricity generation capacity *(Note 1)*	Capacity included in the valuation of the Concession Rights *(Note 4)*	Solar power plant projects under the agreement *(Note 5)*
11.	13 July 2012 Independent Third Party and the Target Company	Development of rooftop solar power plants/systems by the Target Company over the rooftops of the warehouses and distribution centres of certain logistics networks owned by the Independent Third Party in the PRC with a total area of not less than 1,000,000 square meters for a term of 25 years.	Exclusive right to lease the rooftop for installation of rooftop solar power plants/ systems.	Self-development	To be agreed	100MW	N/A	N/A (projects yet to be identified)
12.	29 October 2012 Independent Third Party and the Target Company	Development of rooftop solar power plants/systems by the Target Company over the rooftops of certain properties owned by the Independent Third Party in the PRC to install up to 30MW rooftop solar power plants/systems for a term of 25 years.	Exclusive right to lease the rooftop for installation of rooftop solar power plants/ systems.	Self-development	Zhejiang	30MW	20MW	Project Wanfeng
						Total:	**2,164MW**	

Notes:

1. The maximum contracted/projected solar electricity generation capacity of the solar power plant projects refers to the maximum capacity as contemplated under the relevant agreements (including framework agreements),where there is no such maximum capacity expressly stipulated in the relevant agreements (including framework agreements), it refers to the projected capacity adopted in the Valuation Report. These projects include 64MW under agreement no. 1 and 184MW under agreements no. 8, 9, 10. Projects under agreement no. 1 of 64MW have been granted with government subsidy from the Golden Sun Program in 2012 and hence, they are included in the Valuation Report in accordance with the Target Group's business plan. Projects under agreements no. 8, 9, 10 have a total contracted rooftop area of 1.22 million square meters. The management of the Target Group assumed that 122MW will be installed over the contracted rooftop area of 1.22 million square meters, i.e. 100W per 1 square meter.

2. Pursuant to the relevant framework agreement, CMSZ further entered into two definitive sale and purchase agreements with members of GCL-Poly Group on 20 December 2012 in relation to the acquisition of two project companies to be established relating to two rooftop solar power plant projects, Project Xiexin Guicailiao and Project Zhongneng with electricity generation capacity amounting to approximately 12MW. The two project companies, namely, Xuzhou GCL and Xuzhou Xinneng was established in Xuzhou, Jiangsu on 31 December 2012 and 8 January 2013 respectively. On 19 February 2013, CMSZ and the member of GCL-Poly Group entered into a supplemental agreement to supplement the definitive sale and purchase agreement in relation to the acquisition of Project Xiexin Guicailiao. As at the Latest Practicable Date, CMSZ had completed the acquisition of the 90% and 51% equity interest in the two project companies, respectively. For the specific material terms of the relevant definitive sale and purchase agreements, please refer to table B on pages 105 to 106 of this circular.

3. On 22 December 2012, CMSZ entered into a definitive sale and purchase agreement (as supplemented by a supplemental agreement dated the same date) with two subsidiaries of Zhongli in relation to, inter alia, the acquisition of Zhongli Changzhou, which indirectly holds two ground solar power plant projects with electricity generation capacity amounting to approximately 120MW. As at the Latest Practicable Date, the acquisition of Zhongli Changzhou, has been completed. For the specific material terms of the relevant definitive sale and purchase agreement, please refer to table B on pages 107 to 109 of this circular.

4. Some of the rights obtained by the Target Group under the above agreements regarding the solar power plant projects are beyond the scope and timeframe as adopted by the Valuation Report and accordingly such rights are not considered by the Independent Valuer in the preparation of the Valuation Report. The valuation of the Concession Rights, which amounts to a capacity of 2GW based on a list of proposed projects furnished by the Target Group to the Independent Valuer, is less than the maximum capacity of up to approximately 5GW as contemplated under the abovementioned agreements because of the following principal reasons:

   (1) there is no letter of intent with local government regarding certain ground-based solar power plant projects;

   (2) insufficient information was provided in relation to individual project or project company by the cut-off date for ascertaining information; or

   (3) certain projects are at a preliminary stage and are not expected to obtain all necessary approvals by 31 December 2015.

5. The proposed investment, development and operation of the solar power plant projects under the relevant agreements are subject to definitive sale and purchase agreements which will contain certain conditions precedent. Further details of which are set out in Table C and Table D on pages 110 to 123 of this circular.

6. The locations of the solar power plant projects are not mentioned in the cooperation agreements but indicated by the parties.

Table B: Summary of the definitive sale and purchase agreements entered into by the Target Group in relation to the acquisition of certain solar power plant projects by the Target Group as at the Latest Practicable Date

Project Name	Date of relevant definitive agreement/Party	Consideration	Specific Material terms of the definitive sale and purchase agreements
Project Xiexin Guicailiao	20 December 2012 CMSZ and member of GCL-Poly Group (The definitive agreement was supplemented by a supplemental agreement dated 19 February 2013)	RMB34,270,000 determined by reference to the proposed registered capital of Xuzhou Xinneng	• Xuzhou Xinneng will own the rights of preparation, investment, construction and operation rights of Project Xiexin Guicailiao which has a projected solar electricity generation capacity of approximately 10MW; • Project Xiexin Guicailiao is eligible for the Golden Sun Program subsidy of RMB5.5/W as approved in 2012; • 51% equity interest in Xuzhou Xinneng is to be acquired by CMSZ upon the receipt of the 1st installment of the Golden Sun Program subsidies; • remaining 49% equity interest in Xuzhou Xinneng is to be acquired by CMSZ upon the receipt of all of the Golden Sun Program subsidies and the settlement of the first electricity bill; • the construction of the project is to be undertaken by GCL Solar System and a separate EPC agreement with a contract sum of RMB96,510,000 was entered into between Xuzhou Xinneng and GCL Solar System on 6 February 2013; • as at the Latest Practicable Date, CMSZ had completed the acquisition of the 51% equity interest in Xuzhou Xinneng, which was established on 8 January 2013.

Table B: Summary of the definitive sale and purchase agreements entered into by the Target Group in relation to the acquisition of certain solar power plant projects by the Target Group as at the Latest Practicable Date

Project Name	Date of relevant definitive agreement/Party	Consideration	Specific Material terms of the definitive sale and purchase agreements
Project Zhongneng	20 December 2012 CMSZ and member of GCL-Poly Group	RMB7,050,000 determined by reference to the proposed registered capital of Xuzhou GCL	• Xuzhou GCL will own the rights of preparation, investment, construction and operation rights of Project Zhongneng which has a projected solar electricity generation capacity of approximately 2MW; • Project Zhongneng is eligible for the Golden Sun Program subsidy of RMB5.5/W as approved in 2012; • 90% equity interest in Xuzhou GCL is to be acquired by CMSZ upon the receipt of the 1st installment of the Golden Sun Program subsidies; • remaining 10% equity interest in Xuzhou GCL is to be acquired by CMSZ upon the receipt of all of the Golden Sun Program subsidies and the settlement of the first electricity bill; • the construction of the project is to be undertaken by GCL Solar System and a separate EPC agreement with a contract sum of RMB18,918,900 was entered into between Xuzhou GCL and GCL Solar System on 6 February 2013; • as at the Latest Practicable Date, CMSZ had completed the acquisition of the 90% equity interest in Xuzhou GCL, which was established on 31 December 2012.

Table B: Summary of the definitive sale and purchase agreements entered into by the Target Group in relation to the acquisition of certain solar power plant projects by the Target Group as at the Latest Practicable Date

Project Name	Date of relevant definitive agreement/Party	Consideration	Specific Material terms of the definitive sale and purchase agreements
Project Jiayuguan (A) & Project Gonghe	22 December 2012 (as supplemented by a supplemental agreement dated the same date and a supplemental agreement dated 14 March 2013) CMSZ, Zhongli Talesun and Jiangsu Zhongli	RMB10,000,000 determined by reference to the registered capital of Zhongli Changzhou, which has been fully settled on 24 December 2012	• CMSZ to acquire the entire equity interest in Zhongli Changzhou, which indirectly owns the rights of preparation, investment, construction and operation in respect Project Jiayuguan (A) & Project Gonghe through the project companies Zhongli Jiayuguan and Zhongli Gonghe, respectively, subject to the following conditions precedent: (i) the approval documents being obtained from the Development and Reform Commission of Qinghai Province for both Project Jiayuguan (A) & Project Gonghe; (ii) CMSZ being satisfied with the due diligence investigation report in respect of the projects; (iii) the transactions contemplated under the definitive sale and purchase agreement having been internally approved by the parties; (iv) the definitive sale and purchase agreement becoming effective; (v) the one year loan of RMB 800,000,000 from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) being granted; (vi) the vendors having provided CMSZ with the financial statement or valuation report;

Table B: Summary of the definitive sale and purchase agreements entered into by the Target Group in relation to the acquisition of certain solar power plant projects by the Target Group as at the Latest Practicable Date

Project Name	Date of relevant definitive agreement/Party	Consideration	Specific Material terms of the definitive sale and purchase agreements
			• after the completion of the acquisition of the equity interest in Zhongli Changzhou, CMSZ agrees to procure Zhongli Changzhou to repay the interest free revolving loan of RMB50,000,000 to Zhongli Talesun; • in respect of Project Jiayuguan (A), CMSZ agrees to pay, or (i) procure Zhongli Jiayuguan to pay the EPC costs in the total aggregate amount of RMB1,060,214,400 by end of 31 January 2014 by installments; and (ii) procure Zhongli Changzhou to purchase of PV modules in the total amount of RMB189,785,600 by end of 31 December 2013 by three installments to the EPC contractor as designated by Zhongli Talesun; • with respect to the construction cost of Project Gonghe, the contract sum for the EPC contract entered into between Zhongli Gonghe and the EPC contractor as designated by Zhongli Talesun is RMB214,000,000. Within 5 working days after the long-term loan in relation to Project Gonghe is available, CMSZ shall arrange Zhongli Gonghe to pay the EPC contractor the EPC cost of RMB140,000,000. The balance of the EPC cost of RMB74,000,000 shall be paid by 31 January 2014, provided that all of the approvals, permits, licenses in respect of the formal operation of the project have been obtained and the renewable energy subsidies have been granted.

Table B: Summary of the definitive sale and purchase agreements entered into by the Target Group in relation to the acquisition of certain solar power plant projects by the Target Group as at the Latest Practicable Date

Project Name	Date of relevant definitive agreement/Party	Consideration	Specific Material terms of the definitive sale and purchase agreements
			• as at 14 March 2013, CMSZ has settled a total amount of RMB900,000,000 as the consideration for the acquisition, part of the EPC costs and purchase prices of the PV modules as stipulated in the agreement, the parties agree that the settlement of the outstanding payment under the agreement shall be postponed to a date after 30 June 2014; • For further details of the acquisition, please refer to Note 27 of Appendix II to this circular.

Table C: Status of the rooftop solar power plant projects developed, owned or to be acquired by the Target Group in relation to the Concession Rights as at the Latest Practicable Date

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Nantong	Jiangsu	2.12	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Ru Guo Yong (2011) No. 82400106 and 82400107 State-owned Land Use Certificates issued by Rugao City Government on 7 September 2011; (2) Lease agreement regarding the subject project; and (3) Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	10.6
Project Xiexin Guicailiao	Jiangsu	10	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Xu Shi Guo Yong (2010) No. 05998 State-owned Land Use Certificate issued on 9 February 2010, and Xu Shi Guo Yong (2010) No 24902, 24903, and 05998 State-owned Land Use Certificates issued on 16 July 2010 by Xuzhou City Government; and (2) Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				51% equity interest in project company has been acquired in 2013, please refer to table B on page 105 of this circular	It is expected that the operation will be commenced by end of 2013.	50.0

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Zhongneng	Jiangsu	2	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Xu Shi Guo Yong (2007) No. 56180 State-owned Land Use Certificate issued on 12 December 2007, and Xu Shi Guo Yong (2008) No. 00173 State-owned Land Use Certificated issued on 11 January 2008, and Xu Shi Guo Yong (2008) No. 33940 and 33943 State-owned Land Use Certificates issued on 18 December 2008 by Xuzhou City Government; (2) Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012; and (3) State-owned construction land use right grant contract regarding the subject project. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				90% equity interest in project company has been acquired in 2013, please refer to table B on page 106 of this circular	It is expected that the operation will be commenced by end of 2013.	10.0
Project Fulaite	Jiangsu	2.81	Approved under Golden Sun Program *(Note 6)*	It is expected that the approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	14.1
Project Suzhou Gongyeyuan	Jiangsu	10	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012 had been obtained. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	50.0

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under Valuation	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Xuyi	Jiangsu	15	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Lease agreements regarding the subject project; (2) Land Construction Permit (Xuyi County [2012] No. 122), Property Ownership Certificate (Xu Fang Quan Xu Cheng Zhen Zi No. 8201008874); and (3) The Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	75.0
Project Dongwang Gongmao	Jiangsu	2.01	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 26 June 2012 had been obtained. 2. It is expected that the approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	10.0
Project Wuxi Yixing	Jiangsu	10	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Lease agreement regarding the subject project *(Note 5)*; (2) Yi Guo Yong (2009) No 2470003 and (2007) No. 110588 State-owned Land Use Certificates; and Yi Fang Quan Zheng Qi Zi No CG000605 and CG00606 Property Ownership Certificates for two properties; and (3) The Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	50.0

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under Valuation	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Yangzhou	Jiangsu	10	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Lease agreements regarding the subject project; (2) Yang Guo Yong (2011) No. 0508, (2011) No. 0374, (2010) No. 0261, (2005) No. 0370, (2010) No. 0273, and (2011) No. 0268 State-owned Land Use Certificates; and (3) Approval for the project proposal issued by the Jiangsu Provincial Development and Reform Commission on 6 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	50.0
Project Xuzhou Fengxian (A)	Jiangsu	3.8	Eligible for FiT *(Note 6)*	1. As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/ persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Approval notice regarding the project application report for the subject project issued by the Jiangsu Provincial Development and Reform Commission on 13 December 2011; (2) Quality supervision and inspection report regarding on grid connection of the subject project; and (3) Expertise report regarding the on-grid connection of the subject project.				As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/ persons as at the Latest Practicable Date. *(Note 6)*				Project company to be acquired by end of 2013	2011	90.4

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under Valuation	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Xuzhou Fengxian (B)	Jiangsu	20	Eligible for FiT *(Note 6)*	As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Approval notice regarding the project application report issued by the Jiangsu Provincial Development and Reform Commission on 30 June 2011; (2) Quality supervision and inspection report regarding the subject project; (3) Expertise report regarding the on-grid connection of the subject project; and (4) Land use agreement.				As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/ persons as at the Latest Practicable Date. *(Note 6)*				Project company to be acquired by end of 2013	2011	476.0
Project Yangzijiang	Jiangsu	5	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the lease contract of the property for the project had been entered into. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	36.5
Project Jiangyin Lingangxincheng	Jiangsu	150	To be applied for FiT *(Note 6)*	1. As at the Latest Practicable Date, the reply regarding the application for construction of the subject project issued by the Administrative Committee of Jiangyin Lingangxincheng on 8 October 2012 had been obtained. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.				It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	1,515.0
Project Datong	Shanxi	30	It is expected that the approval for Golden Sun Program will be obtained in 2014 *(Note 6)*	1. As at the Latest Practicable Date, the following approval from National Development and Reform Commission and National Energy Administration had been obtained: (1) Reply regarding the preliminary work matters of the subject project dated 23 May 2012; and (2) Reply regarding the approval of implementing preliminary work of the subject project dated 17 August 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.				It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2014.	150.0

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under Valuation	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Funing	Jiangsu	3	Eligible for FiT *(Note 6)*	As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Lease agreement regarding the subject project. Leasing registration documents are not applicable to this project; (2) Reply regarding the project proposal issued by Jiangsu Provincial Development and Reform Commission; (3) Reply regarding the approval of the project application report of the subject project issued by the Jiangsu Provincial Development and Reform Commission on 23 December 2009; (4) Assessment and inspection opinions on the design of the subject project; and. (5) Notice to print and release the assessment and inspection opinions on the design of the subject project issued by Jiangsu Electric Power Company on 31 December 2009.				As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/ persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Electricity Business Permit (No. 1041609-00322) issued by the State Electricity Regulatory Commission on 31 December 2009, type of permit: power generation, valid from 31 December 2009 to 30 December 2029. (2) Electricity sale and purchase agreement dated 29 December 2009.			Project company to be acquired by end of 2013	2010	112.5
Project Nanjing Guanggu	Jiangsu	0.45	Eligible for FiT *(Note 6)*	As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Assessment and inspection opinions regarding the technology proposal of the subject project dated 21 January 2011; (2) Reply regarding the approval of the project application report of the subject project issued by the Jiangsu Provincial Development and Reform Commission on 31 December 2010.					As advised by the owner of the subject project, all of the required approvals/documents have been obtained from relevant authorities/ persons as at the Latest Practicable Date. The Target Group had been provided with the following documents *(Note 6)*: (1) Grid scheduling and connection agreement regarding the subject project dated 31 January 2011; and (2) Electricity Sale and Purchase Agreement.				Project company to be acquired by end of 2013	2011	13.5
Project Wuliu	Beijing, Shanghai, Tianjin, Chongqing, Anhui, Sichuan, Guizhou, Hunan, Hubei, Shaanxi, Liaoning, Heilongjiang, Jilin, Guangdong, Jiangsu, Fujian, Henan	100	5MW has been approved under Golden Sun program; the rest of the approval under Golden Sun Program are expected to be obtained in 2014 *(Note 6)*	1. There will be a number of individual projects, among which 5MW will be developed in 2013, the remaining will be developed by end of 2014. 2. It is expected that all of the approvals/documents will be obtained by end of 2013 and 2014 respectively.								Self-develop (5MW to be developed in 2013, others are to be developed by end of 2014)	It is expected that the operation of 5MW will be commenced by end of 2013, the remaining will be commenced by end of 2014.	500.0
Project Waidai	Shenzhen	2	Expected to be obtained in 2013 *(Note 6)*	It is expected that the approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Self-develop (To be developed by end of 2013)	It is expected that the operation will be commenced by end of 2013.	10.0

Project Name	Location of Project/ Tentative Location of Project	Projected Solar Electricity Generation Capacity under Valuation	Available Subsidies	Status (Major Approvals/Documents obtained or to be obtained)								Expected Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process				Project Construction Process		Project Operation Process				
				Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Baoshui	Shenzhen	20	Expected to be obtained in 2013 *(Note 6)*	1. There will be a number of individual projects, among which approximately 2MW has been completed construction and commenced operation since November 2012, the remaining will be developed by end of 2013; 2. All of the following approvals/documents for the project with approximately 2MW have been obtained: (1) Reply regarding the Environmental Impact Inspection of Construction Project issued by the Shenzhen Nanshan District Environmental Protection and Water Bureau on 17 October 2012 concerning the Shenzhen Qianhai Photovoltaic Power Generation Demonstration Project; (2) Approval Notice regarding Shenzhen Foreign-invested Project (Shen Fa Gai He Zhun 2012 No.0273) issued by the Shenzhen Municipal Development and Reform Commission on 7 August 2012; (3) Lease agreement regarding the subject project; (4) Customer Project Completion and Acceptance Form concerning the Commerce Bureau Qianhaiwan Bonded Logistics Center Photovoltaic Power Station Access System Project dated 4 September 2012 issued by 深圳招商供電有限公司 (Shenzhen China Merchants Power Supply Company Limited**); (5) Expertise Report of Project Completion and Acceptance of the Shenzhen Qianhai Photovoltaic Grid-connected Power Generation Demonstration Project (Phase I) dated 1 December 2012; (6) Electricity Business Permit (No. 1062613-00110) issued by the State Electricity Regulatory Commission on 5 February 2013, type of permit: power generation; and (7) Electricity Scheduling and Grid Connection Agreement entered between CMSZ and CMBL on 29 September 2012. 3. It is expected that all of the approvals/documents for the remaining individual projects will be obtained by end of 2013.							Self-develop (approximately 2MW has been completed in November 2012, and the remaining projects are to be developed by end of 2013)	The operation of the 2MW will be commenced by end of 2013, the remaining will be commenced by end of 2014.	97.6
Project Wanfeng	Hangzhou	20	Approved under Golden Sun Program *(Note 6)*	1. As at the Latest Practicable Date, the lease agreements regarding the subject project had been entered into. 2. As at the Latest Practicable Date, the following property ownership certificates had been provided, including: Xin Fang Quan Zheng 2009 No. 9391, Xin Fang Quan Zheng 2009 No.9398, Xin Fang Quan Zheng 2009 No.09908, Xin Fang Quan Zheng 2009 No.09907, Xin Fang Quan Zheng 2009 No.09909, Xin Fang Quan Zheng 2009 No.09906, Xin Fang Quan Zheng 2009 No.9159, Xin Fang Quan Zheng 2009 No.9158, Xin Fang Quan Zheng 2011 No.04677, Xin Fang Quan Zheng 2009 No.8688, Xin Fang Quan Zheng 2009 No.1350, Xin Fang Quan Zheng 2009 No.1349, Xin Fang Quan Zheng 2009 No.9390, Xin Fang Quan Zheng 2011 No.07052, Xin Fang Quan Zheng 2009 No.0029, Xin Fang Quan Zheng 2009 No.0030, Xin Fang Quan Zheng 2009 No.0031, Xin Fang Quan Zheng 2009 No.0032, Xin Fang Quan Zheng 2009 No.0033, Xin Fang Quan Zheng 2009 No.0034. 3. It is expected that the remaining approvals/documents will be obtained by end of 2013.				It is expected that these approvals/documents will be obtained by end of 2013.				Self-develop (To be developed by end of 2013)	It is expected that the operation will be commenced by end of 2013.	100.0

Notes:

1. Land title documents generally refer to ownership certificate of the leased property for the project (項目用房租賃房屋的產權證書), lease contract of the property for the project (項目用房租賃合同) and leasing registration documents (租賃備案登記文件).

2. Approval documents for project construction generally refer to the Opinions on the Examination of the Civil Air Defense Works (建築工程人防審核意見), Approval for Fire Safety Design (消防設計審核意見), Construction Planning Permit (工程規劃許可證) and Construction Permit (工程施工許可證).

3. Approvals for project completion generally refer to Environmental Approval (環保驗收), Fire Safety Approval (消防驗收), Completion and Acceptance of Project (工程驗收) and Approval for Environmental Trial Production (環保試生產審批).

4. Other documents generally refer to Grid Connection and despatch Agreement (併網調度協議), electricity purchase agreement and its filing record (購售電協議及其備案文件) and On-grid Connection Permit (併網許可證).

5. As confirmed by the Target Group, as the project company has reached the contractual energy management arrangement with the relevant enterprise located in the Yixing Economic Development District, which has taken the lease of rooftop for installation of the solar power systems into consideration, there is no rental payable under the lease agreements.

6 As at the Latest Practicable Date, certain approvals, permits and documents (where applicable) have not been received from the relevant owner of the subject project and are reviewed by the Company and are subject to further due diligence.

Table D: Status of the ground-based solar power plant projects developed, owned or to be acquired by the Target Group in relation to the Concession Rights as at the Latest Practicable Date

Project Name	Project Location	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Expected FiT	Status (Major Approvals/Documents obtained or to be obtained)									Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process					Project Construction Process		Project Operation Process				
				Approval for Commencement of Preparation Works of the Project ("Travel Pass")	Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Jiayuguan (A)	Gansu	100	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply to Zhongli Talesun regarding the approval for commencement of the preparatory work of the subject project issued by Gansu Provincial Development & Reform Commission on 30 May 2012 (Applicant: Zhongli Talesun); (2) Opinions on on-grid connection; *(Note 6)* (3) The reply to Zhongli Talesun regarding the environmental impact report form of the subject project issued by Gansu Provincial Department of Environmental Protection on 4 September 2012; (4) The reply to Zhongli Jiayuguan regarding the approval of the subject project issued by Gansu Provincial Development and Reform Commission on 25 September 2012; and (5) The approval certificate of land use (Jiayuguan Zheng Hua Di 2012 No.39). 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.					1. As at the Latest Practicable Date, the following approval documents for project construction have been obtained: Land Planning Permit(Di Zi Di No.6202002012000143) 2. It is expected that the approval documents for project completion will be obtained by end of 2013.		1. As at the Latest Practicable Date, the approval for the on-grid connection system arrangement from Gansu Electric Power Corporation had been obtained. 2. It is expected that the remaining approval/ documents will be obtained by end of 2013.		Acquired in 2012, for details of the acquisition, please refer to table B from pages 107 to 109 of this circular	It is expected that the operation will be commenced by end of 2013	1,250.0
Project Gonghe	Qinghai	20	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply to Zhongli regarding the approval for commencement of the preparatory work of the subject project issued by Qinghai Provincial Development and Reform Commission on 20 July 2012 (Applicant: Zhongli Gonghe); (2) The reply to Zhongli Talesun regarding the environmental impact report form of the subject project issued by Qinghai Provincial Department of Environmental Protection on 15 October 2012; (3) The reply to Zhongli Gonghe regarding the approval of the subject project issued by Qinghai Provincial Development and Reform Commission on 20 July 2012 and (4) The Pre-approval for land use regarding the subject project issued by Qinghai Provincial Department of Land and Resources. 2. It is expected that the remaining approvals/documents will be obtained by end of 2013.					1. As at the Latest Practicable Date, the following approval documents for project construction had been obtained: (1) Construction Project proposal on the choice of location (Xuan Zi Di Cun No.632521201200016) issued by Gonghe County housing and Urban-rural Development Bureau; on 26 September 2012; and (2) Rural Construction Planning Permit (Xiang Zi Di No. 632521201200016) issued by Gonghe County housing and Urban-rural Development Bureau on 5 November 2012. 2. It is expected that the remaining approvals/ documents will be obtained by end of 2013.		1. As at the Latest Practicable Date, the approval for the on-grid connection system arrangement from Qinghai Electric Power Corporation had been obtained. 2. It is expected that the remaining approval/ documents will be obtained by end of 2013.		Acquired in 2012, for details of the acquisition, please refer to table B from pages 107 to 109 of this circular	It is expected that the operation will be commenced by end of 2013	214.0

Project Name	Project Location	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Expected FiT	Status (Major Approvals/Documents obtained or to be obtained)									Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process					Project Construction Process		Project Operation Process				
				Approval for Commencement of Preparation Works of the Project ("Travel Pass")	Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Jiayuguan (B)	Gansu	200	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that these approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	2,500.0
Project Qinghai	Qinghai	100	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that these approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	1,250.0
Project Maigaiti	Xinjiang	14	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Approval notice regarding commencement of the preparatory work of the subject project issued by Development and Reform Commission of Kashgar Prefecture of Xinjiang Uygur Autonomous Region; and (2) The principle opinion on the on-grid connection of subject project issued by Xinjiang Electric Power Corporation on 21 June 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	152.6
Project Gaoyazitan	Gansu	70 *(Note 5)*	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply regarding the approval of commencement of the preparatory work of the subject project issued by Gansu Provincial Development and Reform Commission on 6 April 2012; and (2) The reply regarding the environmental impact report form of the subject project issued by Gansu Provincial Department of Environmental Protection on 12 July 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	763.0
Project Heqingtan	Gansu	70 *(Note 5)*	To be applied upon commencement of operation	1 As at the Latest Practicable Date, the following documents had been obtained: (1) The reply regarding the approval of commencement of the preparatory work of the subject project issued by Gansu Provincial Development and Reform Commission on 29 March 2012; and (2) The reply regarding the environmental impact report form of the subject project issued by Gansu Provincial Department of Environmental Protection on 12 July 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	763.0

Project Name	Project Location	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Expected FiT	Status (Major Approvals/Documents obtained or to be obtained)									Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process					Project Construction Process		Project Operation Process				
				Approval for Commencement of Preparation Works of the Project ("Travel Pass")	Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Dunhuang Shi	Gansu	35 *(Note 5)*	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply regarding the approval of commencement of the preparatory work of the subject project issued by Gansu Provincial Development and Reform Commission on 29 March 2012; and (2) The reply regarding the environmental impact report form of the subject project issued by Gansu Provincial Department of Environmental Protection on 11 July 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	381.5
Project Hongshagang	Gansu	35 *(Note 5)*	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply regarding the approval of commencement of the preparatory work of the subject project issued by Gansu Provincial Development and Reform Commission on 29 March 2012; and (2) The reply regarding the environmental impact report form of the subject project issued by Gansu Provincial Department of Environmental Protection on 11 July 2012. 2. It is expected that the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	381.5
Project Jinta	Gansu	28 *(Note 5)*	To be applied upon commencement of operation	1. Travel Pass is not applicable to this project. 2. As at the Latest Practicable Date, the Approval for the project proposal of the subject project issued by Gansu Provincial Development and Reform Commission on 27 October 2011 had been obtained. 3. It is expected the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	305.2
Project Geermu Erqi	Qinghai	14 *(Note 5)*	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) The reply regarding the approval of commencement of the preparatory work of the subject project issued by Qinghai Provincial Development & Reform Commission on 27 April 2012; (2) Reply regarding the environmental impact report form of the subject project issued by Qinghai Provincial Department of Environmental Protection on 15 October 2012; and (3) Approval for the project proposal of the subject project issued by Qinghai Provincial Development and Reform Commission on 24 July 2012. 2. It is expected the remaining approvals/documents will be obtained by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	152.6

Project Name	Project Location	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Expected FiT	Status (Major Approvals/Documents obtained or to be obtained)									Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process					Project Construction Process		Project Operation Process				
				Approval for Commencement of Preparation Works of the Project ("Travel Pass")	Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Datong Dangliuzhuang (Phase 1)	Shanxi	20	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Reply on approval for commencement of preliminary work of the first phase of the subject project issued by Shanxi Development and Reform Commission on 21 March 2012; (2) Reply on approval for commencement of preliminary work of the subject project issued by National Development and Reform Commission on 23 May 2012; (3) Reply on approval for commencement of preliminary work of the subject project issued by National Energy Administration on 17 August 2012; and (4) Official reply on approval of the subject project issued by Shanxi Development and Reform Commission on 10 August 2012. 2. It is expected the remaining approvals/documents will be obtained by end of 2013.					It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	190.0
Project Datong Dangliuzhuang (Phase 2)	Shanxi	80	To be applied upon commencement of operation	1. As at the Latest Practicable Date, Reply on approval for commencement of preliminary work of the subject project issued by National Energy Administration on 17 August 2012 had been obtained. 2. It is expected that all of the remaining approvals/documents will be obtained/ executed by end of 2013.					It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	760.0
Project Datong Xinrong	Shanxi	100	To be applied upon commencement of operation	1. As at the Latest Practicable Date, Reply on approval for commencement of preliminary work of the subject project issued by National Energy Administration on 17 August 2012 had been obtained. 2. It is expected that all of the remaining approvals/documents will be obtained/ executed by end of 2013.					It is expected that these approvals/documents will be obtained by end of 2013.				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	950.0
Project Datong Hunyuan	Shanxi	110	To be applied upon commencement of operation	1. As at the Latest Practicable Date, reply on approval for the commencement of preliminary work of the subject project issued by National Energy Administration on 17 August 2012 had been obtained. 2. It is expected that all of the remaining approvals/documents will be obtained/ executed by end of 2013.					It is expected that these approvals/documents will be obtained by end of 2013				Project company to be acquired by end of 2013	It is expected that the operation will be commenced by end of 2013.	1,045.0
Project Sangri	Tibet	10	To be applied upon commencement of operation	1. As at the Latest Practicable Date, Notice on approval for the commencement of preliminary work of the subject project issued by Xizang Autonomous Region Development and Reform Committee on 3 September 2012 had been obtained. 2. It is expected that all of the remaining approvals/documents will be obtained/ executed by end of 2014.					It is expected that these approvals/documents will be obtained by end of 2014.				Project company to be acquired by end of 2014	It is expected that the operation will be commenced by end of 2014.	95.0
Project Sihong	Jiangsu	100	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that all of the approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	950.0

Project Name	Project Location	Projected Solar Electricity Generation Capacity under the Valuation (in MW)	Expected FiT	Status (Major Approvals/Documents obtained or to be obtained)									Year of Acquisition/ Expected Acquisition	Year of Commencement of Operation/ Expected Commencement of Operation	Capital expenditure net of government subsidy (RMB million)
				Project Approval Process					Project Construction Process		Project Operation Process				
				Approval for Commencement of Preparation Works of the Project ("Travel Pass")	Opinions on Grid Connection	Environmental Impact Assessment	Project Approval by NDRC	Land Title Documents *(Note 1)*	Approval Documents for Project Construction *(Note 2)*	Approval Documents for Project Completion *(Note 3)*	Electric Power Business License	Other Documents *(Note 4)*			
Project Minle	Gansu	50	To be applied upon commencement of operation	1. As at the Latest Practicable Date, the following documents had been obtained: (1) Letter regarding the construction land of the first phase of the subject project issued by Minle Bureau of Land Resources on 16 May 2012; and (2) Letter regarding the construction land of the second phase of the subject project issued by Minle Bureau of Land and Resources on 16 May 2012. 2. Cooperative framework agreement with local government has been entered into. It is expected that all of the remaining approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	475.0
Project Pei Xian	Jiangsu	30	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that all of the approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	285.0
Project Fumeng	Liaoning	20	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that all of the approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	190.0
Project Yumen	Gansu	40	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that all of the approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	380.0
Project Jiuquan	Gansu	500	To be applied upon commencement of operation	Cooperative framework agreement with local government has been entered into. It is expected that all of the approvals/documents will be obtained by end of 2015.									Project company to be acquired by end of 2015	It is expected that the operation will be commenced by end of 2015.	4,750.0

Notes:

1. Land title documents generally refer to Pre-approval of Land Use (土地預審意見), Approval Certificate for Construction Land (建設用地批准書), State-owned Land Use Right Grand Contract (國有土地劃撥出讓書) and State-owned Land Use Right Certificate (國有土地使用權證書).

2. Approval documents for project construction generally refer to Opinions on the Project Location (選址意見書), Land Use Permit (用地規劃許可証), Opinions on the Examination of the Civil Air Defense Works (建築工程人防審核意見), Approval for Fire Safety Design (消防設計審核意見), Construction Planning Permit (工程規劃許可證) and Construction Permit (工程施工許可證).

3. Approval documents for project completion generally refer to Environmental Approval (環保驗收), Fire Safety Approval (消防驗收), Completion and Acceptance of Project (工程驗收) and Approval for Environmental Trial Production (環保試生產審批).

4. Other documents generally refer to Grid Connection and despatch Agreement (併網調度協議), electricity purchase agreement and its filing record (購售電協議及其備案文件) and On-grid Connection Permit (併網許可證).

5. The capacity stated reflects the capacity of this project to be included in the Valuation Report and represents 70% of the total projected solar electricity generation capacity of this project, as in accordance with the relevant framework agreement, the Target Group will acquire 70% of the equity interest in the project company for this project.

6 As at the Latest Practicable Date, certain approvals, permits and documents (where applicable) have not been received from the relevant owner of the subject project and reviewed by the Company and are subject to further due diligence.

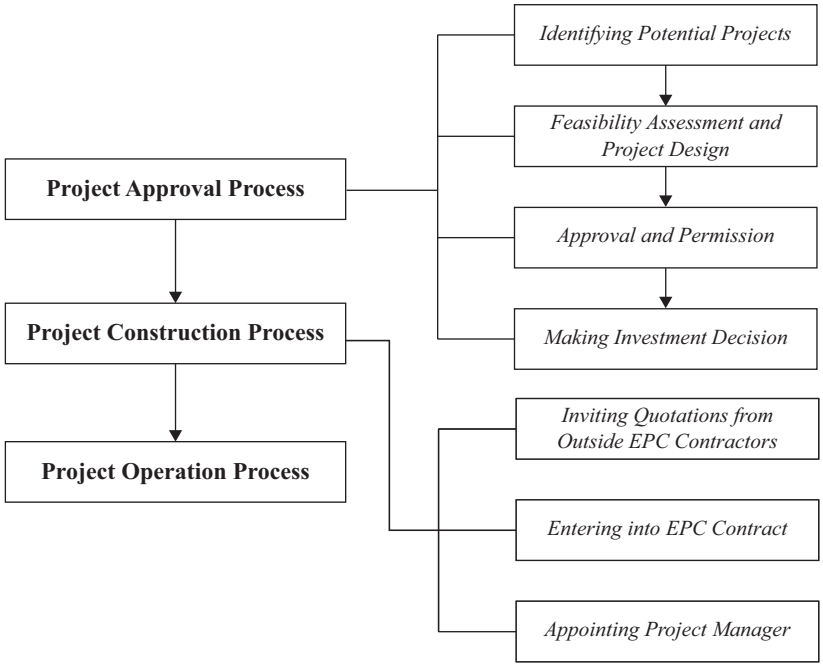
4. OPERATION PROCESS

The Target Group has adopted internal policy for its operation process which is set out below.

Rooftop Solar Power Plant Projects

(1) ***Self-developed Rooftop Solar Power Plant Projects***

The following flow chart shows the key steps of the development process of rooftop solar power plant projects:



(i) *Identifying Potential Projects*

The Target Group identifies potential rooftop solar power plant projects based on the requirements of the Golden Sun Program from a variety of sources and through liaisons with its business partners and industry participants. The Target Group conducts preliminary research and performs necessary screening based on the national optical radiation resource survey results and satellite data available to it. Once a potential project passes the primary screening, the Target Group will carry out site visit and conduct an in-depth research studies taking into consideration of the factors such as solar illumination conditions, grid connection capacity and electricity transmission, electricity consumption capacity in respect of the relevant region and specific building where the potential project is located. The Target Group will enter into cooperative agreements or framework agreements with the owners of the properties to acquire exclusive development and operation rights in respect of the potential projects before the process of development of the solar power plant projects (the "Exclusive Rights").

(ii) *Feasibility Assessment and Project Design*

After obtaining the Exclusive Rights and making the decision to proceed with a particular potential project, the Target Group will then engage a qualified design institute to prepare and draft the project implementation plan to help it assess the risks and feasibility of the potential project. Various functional departments of the Target Group, including the project development department, technology department and engineering department will be involved in the feasibility studies to evaluate the merits and risks of the potential project.

(iii) *Approval and Permission*

Once the project implementation plan is internally approved, the Target Group will submit the application for Golden Sun Program subsidy to the local office of NDRC, together with other required supporting documents, including the feasibility study report, environmental evaluation report, leasing agreement, proof of funding as well as other required documents.

After the project is short-listed in the Golden Sun Program Category and the approved short-list is jointly published by the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration, the project development department of the Target Group, together with the technology department, accounting department and legal department, will forthwith prepare the application report for project funds and submit the same to the local Finance Bureau to apply for the release of the Golden Sun Program subsidy.

(iv) *Making Investment Decision*

Once the approval for the Golden Sun Program subsidy is granted, the project development department of the Target Group will prepare a detailed investment analysis report. The report will be reviewed and evaluated by various internal departments before it is finally submitted to the investment risk-control committee of the Target Group for approval. If the investment risk-control committee is satisfied with the proposed investment, it will recommend the project to the board of directors of the Target Group for final determination.

(v) *Project Construction*

Once all of the project approvals required for construction of solar power project, have been obtained, the Target Group will commence the construction. The Target Group outsources substantially all of its construction work to outside EPC contractors with requisite qualifications to provide all necessary labors, materials and tools to complete the construction of the projects. Usually, the Target Group will invite quotations from qualified EPC contractors. On receipt of the quotations, the Target Group will evaluate and conduct an analysis of the quotations and take into account the cost effectiveness, specialist requirements and level of complexity of the project. The EPC contract will be entered into by the Target Group and the competent EPC contractor. The Target Group will then appoint a project manager for on-site supervision and overall coordination of the day-to-day operation of the

project to ensure the EPC contract is executed effectively and efficiently. Generally, it takes up to six months, depending on the project size, from the commencement of construction to complete the whole construction process.

(vi) *Operation and Maintenance of Solar Power Plant*

In order to sell electricity to end-users when the solar power plant starts to generate electricity, the Target Group will enter into grid connection and despatch agreements and third-party power purchase agreements with the local grid companies and/or the end-users according to the applicable PRC laws and regulations. A solar power plant is typically designed with an operating life for 25 years. During its 25-year lifetime, the Target Group will provide operation and maintenance services to the operating solar power plant. Such operation and maintenance services include but not limited to system administration, performance monitoring, preventive maintenance, outage restoration and equipment repair, etc.

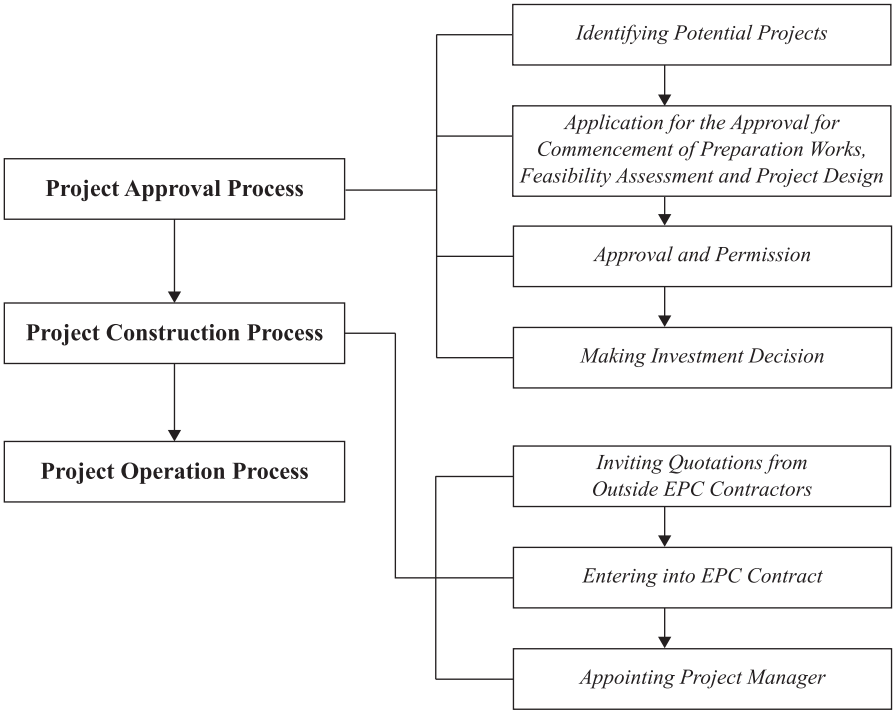
(2) ***Acquired Rooftop Solar Power Plant Projects***

As part of the Target Group's business strategies, it plans to further expand its solar power business by acquiring more rooftop projects in various geographic areas. The Target Group favours the acquisition of operating rooftop projects that can provide immediate contributions to its earnings and cash flow. In particular, it seeks acquisition targets that have fulfilled the preliminary requirements such as: (i) stable operating records, (ii) good grid connection capacity and (iii) suitable acquisition consideration set out by the investment risk-control committee of the Target Group.

Ground-Based Solar Power Plant Projects

(1) ***Self-developed Ground-Based Solar Power Plant Projects***

The following flow chart shows the key steps of the development process of ground-based projects:



(i) *Identifying Potential Projects*

The Target Group identifies potential ground-based solar power plant projects based on its internal business plan and yearly target from a variety of sources and through liaisons with its business partners and industry participants. The Target Group conducts preliminary research and performs necessary screening based on the national optical radiation resource survey results and satellite data available to it. Once a potential project passes the primary screening, the Target Group will carry out site visit and conduct in-depth research studies taking into consideration of factors such as solar illumination conditions, grid connection capacity, electricity transmission and electricity consumption capacity in respect of the relevant region where the potential project is located. The Target Group will then enter into cooperative agreements or framework agreements with local government in respect of the potential projects before starting the development of the solar power plant projects.

(ii) *Application for the Approval for Commencement of Preparation Works, Feasibility Assessment and Project Design*

Before proceeding with the feasibility research, the Target Group will engage a qualified design institute to prepare and draft preliminary feasibility report. In order to obtain the approval for commencement of preparation works required by the relevant local authorities for project investment, the project development department of the Target Group will submit the preliminary feasibility report to the local NDRC authority to apply for requisite approval for commencement of preparation works. After obtaining the requisite approval for commencement of preparation works for a certain potential project, the Target Group will then engage a qualified design institute to prepare and draft the in-depth feasibility report to help it assess the risks and feasibility of the potential project. The project development department of the Target Group will engage qualified evaluation institute to evaluate the merits and risks of the potential projects under the feasibility report together with various departments of the Target Group.

In the same time, the project development department of the Target Group will coordinate with other departments for the drafting, assessment and approval of various professional reports such as geological disaster prevention report, soil conservation plan and pre-exam of land use right report, etc.

(iii) *Approval and Permission*

After finishing and obtaining internal approvals for all the above mentioned professional reports, the project development department of the Target Group will engage a qualified design institute to draft project application report and submit the report to the local office of NDRC to apply for the approval.

With approval from relative authority, the project development department of the Target Group will further file application to the relative Price Control Administration to check and get the approved FiT.

(iv) *Making Investment Decision*

Once all the requisite approvals are granted, the project development department of the Target Group will prepare a detailed investment analysis report. This report will be reviewed and evaluated by various internal departments before it is finally submitted to the investment risk-control committee of the Target Group for approval. If the investment risk-control committee is satisfied with the proposed investment, it will recommend the project to the board of directors of the Target Group for final determination.

(v) *Project Construction*

Once all of the project approvals required for construction of solar power project have been obtained, the Target Group will commence the construction. The Target Group outsources substantially all of its construction work to outside EPC contractors with requisite qualifications to provide necessary labors, materials and tools to complete the construction of the projects. Usually, the Target Group will invite quotations from qualified EPC contractors.

On receipt of the quotations, the Target Group will evaluate and conduct an analysis of the quotations and take into account the cost effectiveness, specialist requirements and level of complexity of the project. The EPC contract will be entered into by the Target Group and the competent EPC contractor. The Target Group will then appoint a project manager for on-site supervision and overall coordination of the day-to-day operation of the project to ensure the EPC contract is executed effectively and efficiently. Generally it takes up to six months, depending on the project size, from the commencement of construction to complete the whole construction process.

(vi) *Operation and Maintenance of Power Station*

The Target Group will enter into grid connection and despatch agreements and power purchase agreements with the local grid companies according to the applicable PRC laws and regulations. A solar power plant is typically designed with an operating life for 25 years. During its 25-year lifetime, the Target Group will provide operation and maintenance services to the operating solar power plant. Such operation and maintenance services include but not limited to system administration, performance monitoring, preventive maintenance, outage restoration and equipment repair, etc.

(2) ***Acquired Ground-Based Solar Power Plant Projects***

Same as rooftop solar power plant project and as part of the Target Group's business strategies, it plans to further expand its solar power business by acquiring ground-based solar power plants from other companies which have been completed and begun generating electricity to the State Grid already. These projects will be carefully selected and assessed. In particular, it seeks acquisition targets which have fulfilled the preliminary requirements such as: (i) stable operating records, (ii) good grid connection capacity and (iii) suitable acquisition consideration set out by the investment risk-control committee of the Target Group.

5. OVERVIEW OF APPLICABLE PRC REGULATIONS

Renewable Energy Law and Government Directives

According to the Renewable Energy Law (《中華人民共和國可再生能源法》) which was promulgated on 28 February 2005 and amended on 26 December 2009, all electricity power generated from clean and renewable energy shall be purchased in full amount provided that on-grid technical standards have been complied with and the related power generation entities have obtained related administrative approvals or been filed for record. Grid companies shall purchase the full amount of on-grid electricity generated by approved clean and renewable energy plants whose power generation projects meet the grid connection technical standards in the areas covered by the grid companies' power grids.

The Renewable Energy Law sets forth policies to encourage the development and use of solar energy and other non-fossil energy and their on-grid application. It authorises the relevant pricing authorities to set favourable prices for the purchase of electricity generated by solar and other renewable power generation systems. It also sets forth China's national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling

systems, PV systems and other solar energy utilisation systems. In addition, it provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects.

The Law of the People's Republic of China on Conserving Energy (《中華人民共和國節約能源法》) implemented in 1 April 2008 made energy conservation a long-term strategic direction for China's economic development, and reiterated the State's encouragement of the development and utilisation of new energy and renewable energy.

The NDRC has promulgated, separately or jointly with other government ministries or agencies, a series of regulations governing the renewable energy industry. Under the Relevant Provisions for the Administration of the Generation of Electricity by Renewable Energy (《可再生能源發電有關管理辦法》), which was promulgated on 5 January 2006, the NDRC has authority over the planning of renewable energy projects, the setting of renewable energy policies and the administration of renewable energy projects that require governmental approval. Pursuant to these regulations, grid operators are required to ensure all of the renewable energy power producers are connected to their power grid.

The NDRC issued the Guidance Catalog for the Development of the Renewable Energy Industry (《可再生能源產業發展指導目錄》), or the Guidance Catalog, on 29 November 2005 to guide policy, research and investment in support of the solar power industry. According to the Renewable Energy Law (《中華人民共和國可再生能源法》), financial institutions may provide preferential loans with interest subsidies for the development of certain renewable energy projects listed in the Guidance Catalog if certain credit conditions are met in accordance with the Renewable Energy Law.

In August 2007, the NDRC issued the Medium and Long-term Development Plan for Renewable Energy (《可再生能源中長期發展規劃》) which describes the national government's financial incentives for the renewable energy industry for the multi-year period ending 2020, with an estimated required investment amount of approximately RMB130 billion for solar energy. The plan also calls for increasing the overall installation capacity for solar energy to 300MW by 2010 and 1.8GW by 2020.

The PRC government implemented the Golden Sun Program in 2009 as a strategy to uphold and furtherance the development of the technology progress and scale of the national PV power generation industry, and to foster strategic and new industries. In July 2009, the Ministry of Finance, Ministry of Science and Technology and National Energy Administration jointly promulgated the Notice on the Implementation of Golden Sun Program (CAI JIAN [2009] No. 397) (《關於實施金太陽示範工程的通知》(財建[2009]397號)) and the Interim Administrative Measures on Financial Subsidies for Golden Sun Program (《金太陽示範工程財政補助資金管理暫行辦法》) (the "Golden Sun Measures"), which launched the "Golden Sun Program" and stipulates that the government will provide subsidies to the PV power generation project connected to the grid at the amount of 50% of the total investment of the power system and its supporting power transmission and distribution projects, and provide subsidies to the off-grid PV power system at remote area without electricity supply at the amount of 70% of its total investment. According to the Golden Sun Measures, the scope supported by the financial subsidies includes the demonstrative solar energy power generation projects of particular types and fundamental capacity

construction of solar energy power industry, etc. However, the solar PV building application demonstration and promotion project and those PV power generation projects that have already enjoyed the national electricity price sharing policy of renewable resources would not fall into the supported scope of the Golden Sun Measures. The projects to be supported by the financial subsidies shall meet the following requirements, in addition to those as provided in the Golden Sun Measures, (1) the project has been included into the local implementation plan of Golden Sun Program; (2) power capacity of the single project shall not be less than 300KWp; (3) construction period shall not exceed 1 year in principle, and the operation period shall not be less than 20 years; and (4) the total asset of the owner of the PV power generation project connected to the grid shall be not less than RMB100,000,000, and the capital of the project shall not be less than 30% of the total investment. The owner of the off-grid PV power generation project shall have the capacity to guarantee enduring operation of the project.

In June 2011, the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration jointly promulgated the Notice on Making Efforts to the Golden Sun Demonstration Work of the Year 2011 (CAI JIAN [2011] No. 380) (《關於做好2011年金太陽示範工作的通知》(財建[2011]380號)) and later promulgated the Notice on Making Efforts to the Golden Sun Demonstration Work of the Year 2012 (Cai Jian [2012] No. 21) (《關於做好2012年金太陽示範工作的通知》(財建[2012]21號)) in January 2012, which explicitly provide for the subsidy standard, supported scope and requirements of the PV power generation projects supported by the financial subsidies. According to these notices, the unit implementing the project shall prepare project implementation plan in accordance with the relevant requirements, and report to the departments in charge of finance, science and technology and energy at the provincial level based on the principle of territoriality. The departments in charge of finance, science and technology and energy at the provincial level shall jointly report to the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration for the projects that meet the requirements. The Ministry of Finance, Ministry of Science and Technology and the National Energy Administration then will review the project and promulgate the catalog of the demonstration projects. The unit implementing the project falling in the scope of catalog of the demonstration projects shall timely submit the subsidy application report after it finished the conclusion of the key equipment procurement contract and power management contract, permits for on-grid connection, etc. and completed the formality of approval and record-filing. The Ministry of Finance shall determine the amount of the subsidy funding and release a budget accounting for 70% and full balance to be released upon completion.

On 24 February 2012, in order to encourage the development of solar PV industry, the Ministry of Industry and Information Technology released the 12th Five Year Plan on solar PV industry development (《太陽能光伏產業「十二五」發展規劃》), which sets forth several policies, mainly including that the cost of domestic solar power should be reduced to RMB0.8 per KWh by 2015 and RMB0.6 per KWh by 2020, the cost of solar panels in China will drop to RMB7,000 per KW by 2015 and RMB5,000 per KW by 2020, China will further help solar companies increase their annual sales, with at least one company reaching RMB100 billion in sales and 3 to 5 companies reaching RMB50 billion in sales by 2015.

In July 2012, the PRC National Energy Administration issued the twelve five-year plan of the Development of Generation of Electricity by solar Energy (《太陽能發電發展「十二五」規劃》), which has included several plans for encouraging the development of the PV industry, including construction of solar generating station, promotion of distributed solar energy PV generation technology, system improvement of the solar power generation industry, etc.

In September 2012, the PRC National Energy Administration issued the Notification of Declaration of Demonstration Region of Distributed Solar Photovoltaic Generation Scale Applications (《關於申報分佈式光伏發電規模化應用示範區的通知》), under which the government would provide set-quota electricity subsidy to the enterprise introducing the Distributed Solar Photovoltaic Generation project in the Demonstration Region and set a unified subsidy standard for self-consumed electricity and spare on-grid energy. The grid companies should cooperate in executing the Distributed Solar Photovoltaic Generation access plan and provide related services. They should also simplify and regulate the management procedure and standard for access of distributed solar energy PV generated electricity to the grid system with the principle of facilitating the service, in order to actively develop scale application of the Distributed Solar Photovoltaic Generation technology.

In October 2012, the State Council Information Office announced the White Paper of the Energy Policy of China (2012) (《中國的能源政策(2012)》白皮書), under which, the overall installation capacity for solar energy would be more than 21,000,000KW and the coverage of solar energy would be 400 million square meters by 2015.

Electric Power Industry Regulations

The regulatory framework of the PRC electric power industry is mainly codified in the Electric Power Law (《電力法》) and the Electric Power Regulatory Ordinance (《電力監管條例》), which became effective on 1 April 1996 and was revised on 27 August 2009 and 1 May 2005, respectively. One of the stated purposes of the Electric Power Law is to protect the legitimate interests of investors, operators and users and to ensure the safety of power operations. The Electric Power Law also states that the PRC government encourages and regulates PRC and foreign investment in the power industry. The Electric Power Regulatory Ordinance sets forth regulatory requirements for many aspects of the power industry, including, among others, the issuance of electric power business permit, the regulatory inspections of power generators and grid companies and the legal liabilities resulting from violations of the regulatory requirements.

(1) ***Electric power business permit***

Pursuant to the Provision on the Administration of the Electric Power Business Permit (《電力業務許可證管理辦法》) (the Permit Provision) issued by the State Electricity Regulatory Commission of the PRC (the SERC), with effect from 1 December 2005, the PRC power industry adopted the market-access permit system. Pursuant to the Permit Provision, unless otherwise provided by SERC, any company or individual in the PRC may not engage in solar electric power business (including solar power generation, transmission, despatch and sales) without obtaining an electric power business permit promulgated by SERC. Applicants for the electric power business permit applicable to solar power generation business must submit relevant evidence documents in respect of

the solar power project's construction, generation capacity and environmental compliance. SERC will issue the electric power business permit to the applicants after the application materials passed the review.

(2) ***On-grid Tariff Administration***

On-grid tariff is the price the grid companies pay to the power plants. The Electric Power Law sets out the general principles for the determination of power tariffs, according to which, tariffs are to be set to provide reasonable compensation for costs and a reasonable return on investment, to share expenses fairly and to promote the construction of further power projects. The on-grid power tariffs of power plants, the supply power tariffs between the grid companies and the sales power tariffs of the grid companies are based on a centralised policy, fixed in accordance with a unified principle and administered at different levels. The on-grid tariffs are subject to review and approval by NDRC and other competent pricing bureaus.

To achieve more efficient and reasonable power despatch, the State Council promulgated the Regulations on the Administration of Electric Power Despatch to Networks and Grids (《電網調度管理條例》) (the Despatch Regulations), effective on 1 November 1993. The former Ministry of Power Industry (whose major function is now performed by SERC) promulgated and implemented the Implementation Measures on the Regulations on the Administration of Electric Power Despatch to Networks and Grids (《電網調度管理條例實施辦法》) on 11 October 1994. Pursuant to the Despatch Regulations, all power generating enterprises and power grid companies must comply with the centralised despatch of the despatch centers. The despatch centers shall be responsible for the administration and despatch of power distribution to the grids by the power plants. In July 2003, the State Council approved the Power Tariff Reform Plan (《電價改革方案》) (the Reform Plan) and stated that their long-term objective is to establish a standardised and transparent on-grid tariff-setting mechanism. On 28 March 2005, NDRC issued the Provisional Measures for the Administration of On-grid Tariffs, (《上網電價管理暫行辦法》) which provides regulatory guidance for the Reform Plan. For power plants within the regional grids that have not implemented competitive bidding tariff-setting mechanisms, on-grid tariffs will be set by relevant pricing bureaus based on economic life cycle of power projects and in accordance with the principles of reasonable compensation for costs, a reasonable return on investment and tax compliance. For power plants within the regional grids that have implemented competitive bidding tariff-setting mechanisms, the on-grid tariffs comprise of two components: (i) a capacity tariff determined by NDRC based on the average investment cost of the power producers competing within the same regional grid and (ii) a competitive tariff determined through the competitive bidding process. This NDRC regulation became effective from 1 May 2005.

The Circular Regulations on the Administration of Issues Related to the Electricity Energy Transaction Prices (《關於規範電能交易價格管理等有關問題的通知》) issued by NDRC, SERC and NEA dated 11 October 2009 provides that other than the interprovincial or cross-regional power energy transactions, all on-grid power should be priced in accordance with the tariffs set by the pricing bureaus of the government

unless otherwise provided by the state. All producers of clean and renewable energy, except hydropower producers, must comply with the on-grid tariffs approved by the pricing bureaus.

On 27 May 2011, NDRC promulgated the Circular on Relevant Issues Regarding Proper Adjustment of the Tariff (《有關適當調整電價有關問題的通知》), according to which the on-grid tariff of thermal power enterprises was increased and the on-grid tariffs of some hydroelectric power enterprises were verified and adjusted.

According to the Renewable Energy Law and the Provisions on the Administration of Power Generation from Renewable Energy (《可再生能源發電有關管理規定》), the relevant pricing authority under the State Council determines the on-grid tariffs for renewable energy power based on the factors including the power generated from different types of renewable energy, different geographic locations, and the need to facilitate the development and use of renewable energy on a reasonable commercial basis. The pricing authority also adjusts and announces the on-grid tariffs according to the technology for developing and using the renewable energy.

The Provisional Administrative Measures on the Price of Renewable Electricity and Cost Sharing Program (《可再生能源發電價格和費用分攤管理實行辦法》), the "Price and Cost Sharing Regulation"), which was promulgated by the NDRC and became effective on 1 January 2006, provides that for solar power projects which obtained approvals from the NDRC or provincial DRCS after 31 December 2005, their on-grid tariffs are the "government pricing", which shall be determined by the relevant pricing authorities under the State Council based on reasonable cost and reasonable return on investment. In addition, the Price and Cost Sharing Regulation provides for a cost sharing program where the end users shall pay the additional tariff (compared to the average on-grid tariff of coal power generation with flue gas desulfurisation) and the expenses for connecting to the grid.

The NDRC issued the Notice on Perfection of Policy Regarding FiT of Power Generated by Solar PV (《關於完善太陽能光伏發電上網電價政策的通知》) on 24 July 2011, pursuant to which national subsidised standard on-grid tariffs shall apply to the purchase of electricity from solar power projects. Except the district in Tibet, The FiT scheme provides for a tariff of RMB1 for each kilowatt hour for solar projects which are completed and connected to the State Grid in 2012 and onwards.

On 29 November 2011, the Ministry of Finance, NDRC and National Energy Administration jointly promulgated the Circular on Printing and Distributing the Interim Measures on the Levy, Usage and Administration of Renewable Energy Development Fund (《關於印發可再生能源發展基金徵收使用管理暫行辦法的通知》, hereinafter referred to as the Renewable Energy Development Fund Interim Measures), which came into force on 1 January 2012. The Renewable Energy Development Fund Interim Measures stipulates the composition, levy standard and capital utilisation of renewable energy development funds. Pursuant to the Renewable Energy Development Fund Interim Measures, the development funds for renewable energy sources include special funds arranged by the public budgeting of national finance, and additional

electrovalence revenue of renewable energy sources legally collected from electricity consumers. The development funds for renewable energy sources shall be used for supporting the activities of electricity generation and exploitation of renewable energy sources.

On 14 March 2012, the Ministry of Finance, NDRC and National Energy Administration jointly issued the Circular on Printing and Distributing the Interim Measures for Administration of Additional Subsidy Funds for Price of Renewable Energy Power (《關於印發可再生能源電價附加補助資金管理暫行辦法的通知》, hereinafter referred to as the Additional Subsidy Funds Interim Measures), which apply to the power generation from renewable energy including wind power generation, biomass energy power generation, solar power generation, geothermal power generation and ocean power generation, etc. The Additional Subsidy Funds Interim Measures stipulated the conditions of subsidy application, procedure of examination and verification, subsidy standard, budget management and fund appropriation of the additional subsidy funds.

Regulations on Foreign Investments

In 1995, the State Planning Commission (國家計劃委員會), the State Economic and Trade Commission (國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (對外經濟貿易部) jointly promulgated the Provisional Provisions on Guiding Foreign Investment (《指導外商投資方向暫行規定》, the "Provisional Foreign Investment Provisions") and the Catalogue for the Guidance of Foreign Investment (《外商投資產業指導目錄》, the "Foreign Investment Catalogue"), classifying all foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects.

On 11 February 2002, the State Council promulgated the Provisions on Guiding Foreign Investment (《指導外商投資方向規定》, the "Foreign Investment Provisions"), re-stating the four categories of foreign investment projects. The Foreign Investment Provisions came into force on 1 April 2002 and the Provisional Foreign Investment Provisions were simultaneously repealed. The Foreign Investment Catalogue has been revised several times since it was first promulgated, with the most significant revisions taking place in 2002, 2004, 2007 and 2011. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the National Development and Reform Commission and the MOFCOM on 24 December 2011 and came into effect on 30 January 2012.

The purpose of the Foreign Investment Provisions and the Foreign Investment Catalogue is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment.

Under the Foreign Investment Catalogue (《外商投資產業指導目錄》) which came into effect on 30 January 2012, foreign investment in solar power electric industry is listed as an encouraged activity.

Regulations on Foreign Investments Project Approval

According to the Tentative Measures for the Administration of Examining and Approving Foreign Investment Projects (《外商投資項目核准暫行管理辦法》), foreign investment project with a large amount of investment should subject to the NDRC's verification and approval administration.

If the application report of a project of the encouraged and permitted industries with a total investment (including the increased amount of capital, similarly hereinafter) of 100 million U.S. Dollars or more or of the restricted industries with a total investment of 50 million U.S. Dollars or more, the project shall be subject to the examination and approval of the NDRC, of which the application report of a project of the encouraged and permitted industries with a total investment of 500 million U.S. Dollars or more and the restricted industries with a total investment of 100 million U.S. Dollars or more shall be subject to the examination and approval of the NDRC, and then be reported to the State Council for verification. Meanwhile, a project of the encouraged and permitted industries with a total investment of 100 million U.S. Dollars or less and of the restricted industries with a total investment of 50 million U.S. Dollars or less shall be subject to the examination and approval of a regional development and reform department, while a project of the permitted industries shall be subject to the examination and approval of a regional development and reform department, and the power to examine and approve such projects shall not be transferred to a lower-level department. In case a regional government has enacted other relevant rules for examining and approving projects listed in the preceding paragraph, such rules shall prevail.

On 4 May 2010, the NDRC promulgated the Notice of the NDRC on Properly Handling the Delegation of Approval Authority for Projects with Foreign Investment (《國家發展改革關於做好外商投資項目下放核准權限工作的通知》), which delegated part of the approval authority to the commissions at lower levels. In particular, the projects in encouraged or permitted categories in the Catalogue for the Guidance of Foreign Investment Industries with a total investment (including capital increase) of less than 300 million U.S. Dollars, which are previously approved by the NDRC, shall be approved by the provincial development and reform commissions, except those that have to be approved by the relevant departments of the State Council in accordance with the provisions in the Catalogue of Investment Projects Approved by the Government. After delegating authority to approval, the issues concerning project application report and the contents, conditions and procedures of approval shall be still subject to the Tentative Measures for the Administration of Examining and Approving Foreign Investment Projects (《外商投資項目核准暫行管理辦法》). The authority to approve the projects under the category of restriction in the Catalogue for the Guidance of Foreign Investment Industries is not delegated temporarily. If there are special provisions on project approval in state laws and regulations and the documents of the State Council, those provisions shall prevail.

According to the Provisions on the Administration of Power Generation from Renewable Energy (《可再生能源發電有關管理規定》), the hydropower projects constructed on major rivers and hydropower projects with production of not less than 250,000 kilowatts, and wind power projects with production of not less than 50,000 kilowatts shall be subject to the authorisation or examination and approval by the NDRC. Other projects shall be subject to the authorisation or examination and approval by the competent investment authorities of the people's governments at provincial level, and then be reported to the NDRC for the record. The electricity generation projects of biomass power, geothermal energy, ocean energy and solar energy which require policy and financial supports of the state shall be declared to the NDRC.

Regulations on Dividends Distribution

The principal laws and regulations governing distribution of dividends paid by PRC wholly foreign owned enterprises include (1) the Company Law; (2) the WFOE Law; and (3) the WFOE Law Implementation Regulation. Under the above laws and regulations, domestic companies and wholly foreign owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. Until such time as the accumulated reserve funds reach and remain above 50% of the enterprise's registered capital amount, these reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

Regulations Relating to Foreign Exchange

China regulates foreign currency exchanges primarily through the following rules and regulations:

(1) Foreign Currency Administration Rules of 1996 (《中華人民共和國外匯管理條例》), as amended; and

(2) Administrative Rules of the Settlement, Sale and Payment of Foreign Exchange of 1996 (《結匯、售匯及付匯管理規定》).

Renminbi is not presently a freely convertible currency. Under the current PRC regulations, conversion of Renminbi is permitted in China for routine current-account foreign exchange transactions, including trade and service related foreign exchange transactions, and payment of dividends. Conversion of Renminbi for most capital-account items, such as direct investments, investments in PRC securities markets and repatriation of investments, however, is still subject to the approval of the SAFE.

Pursuant to the above-mentioned administrative rules, foreign-invested enterprises may buy, sell and/or remit foreign currencies for current-account transactions at banks in China with authority to conduct foreign exchange business by complying with certain procedural requirements, such as presentation of valid commercial documents. For most capital-account transactions, approval from SAFE is a pre-condition. Capital investments by foreign-invested enterprises outside China are also subject to limitations and requirements in China, such as prior approvals from the PRC Ministry of Commerce, the SAFE and the NDRC.

SAFE promulgated on 19 November 2012 the Circular on Further Improvement and Adjustment on the Foreign Exchange Administration Policies of Direct Investment (Hui Fa [2012] No. 59, the "Circular No. 59") (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》滙發[2012] 59號), which aims to improve the foreign exchange administration on direct investment in China, and abolishes and/or adjusts certain foreign exchange administrative mechanism in that respect. The Circular No. 59 has adjusted in many ways the foreign exchange administration in respect of direct investment, and has abolished 35 administrative verification procedures and simplified or consolidated 14 administrative approval procedures. The adjustments made by Circular No. 59 replaced the original pre-verification procedures with post-facto registration and filing, to simplify the original administrative procedures and materials, and to strengthen the mechanism of post-facto review and early warning by statistical analysis.

Environmental Protection laws

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. We are subject to various PRC laws and regulations with respect to environmental protection, the prevention and control of water, air, noise and solid waste pollution, and construction project environmental protections. The main PRC environmental laws and regulations applicable to us include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on Prevention and Treatment of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》), Regulations of Environmental Management on Project (《建設項目環境保護管理條例》), Regulations of Environmental Protection Acceptance Inspection on Projects Completion (《建設項目竣工環境保護驗收管理辦法》) and the PRC Law on Appraising Environment Impacts (《中華人民共和國環境影響評價法》).

Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Regulations on EIT Preferential Treatment relating to Solar Power Projects

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (hereinafter referred to as "the EIT law"), which was enacted by National People Committee and became effective on 16 March 2007 and its related implementation rules (《中華人民共和國企業所得税法實施條例》), effective from 1 January 2008, an enterprise engaged in the key public infrastructure projects is entitled to three-year full exemption followed by a

three-year 50% exemption commencing from the first year it generates operating income. The aforesaid key public infrastructure projects should fall into the scope of the Catalogue for Public Infrastructure Projects Eligible for Preferential Tax Treatment.

In addition, pursuant to the Circular of the Ministry of Finance and State Administration of Taxation on Issues Relevant to the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》) promulgated on 23 September 2008 (Circular 46) and Circular of the State Administration of Taxation on the Issues of the Implementation of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment (《關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》)) with effect from 1 January 2008 (Circular 80), an enterprise set up after 1 January 2008 and engaged in public infrastructure projects is entitled to three-year full exemption followed by a three-year 50% exemption commencing from the first year it generates operating income.

On 8 September 2008, the Ministry of Finance, the State Administration of Taxation, and the National Development & Reform Commission jointly promulgated the Notice on the Promulgation of the Catalogue for Public Infrastructure Projects Eligible for Preferential Tax Treatment (《財政部、國家稅務總局、國家發展改革委員會關於公佈公共基礎設施項目企業所得稅優惠目錄的通知》), according to which, solar power projects fall into the scope of the Catalogue for Public Infrastructure Projects Eligible for Preferential Tax Treatment.

Non-compliance with applicable PRC regulations

Based on the existing development stage of the businesses of the Target Group as at the Latest Practical Date the Target Group has not breached the applicable PRC regulations mentioned under in this section headed "Overview Of Applicable PRC Regulations", save that CMSZ, a subsidiary of the Target Group, started its operation of the rooftop solar power plant located in Shenzhen Qianhai District in November 2012 (i.e. the Project Baoshui as set out in the "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group — Table C: Status of the rooftop solar power plant projects developed, owned or to be acquired by the Target Group in relation to the Concession Rights as at the Latest Practicable Date") and started collecting electricity fee from 31 October 2012, whilst CMSZ had only obtained its electric power business permit on 5 February 2013. Pursuant to the Administrative Regulations on the Electric Power Business Licenses (《電力業務許可證管理規定》), where an enterprise that has not obtained an electric power business license in accordance with law illegally engages in electric power business, the electric power regulatory body shall order it to make correction, confiscate its illegal earnings, and may concurrently impose a fine of not more than 5 times as much as its illegal earnings. Since the total amount of the electricity fee collected by CMSZ before obtaining an electric power business permit was approximately RMB360,682, the estimated maximum penalty amount would be approximately RMB1.8 million should the electric power regulatory body impose a fine on CMSZ. The delay of CMSZ in obtaining its electric power business permit has given rise to a breach of the Provision on the Administration of the Electric Power Business Permit (《電力業務許可證管理辦法》) and CMSZ may be subject to penalties imposed by the relevant PRC regulatory authority.

6. LEGAL PROCEEDINGS

The Target Group was involved in disputes with the Huiyang Dalin Glass Company (惠陽大林玻璃有限公司) in connection with the sales of glasses. The court issued judgment in favour of the Target Group and the Target Group was entitled to get full refund of the total contracted amount which is RMB113,025.84.

Save as disclosed, there were no pending or threatened litigation, arbitration, or administrative penalties, and the Target Group was not involved in ligation or other proceedings, which would materially and adversely affect their business, financial condition or results of operations as of the Latest Practicable Date.

7. INTELLECTUAL PROPERTY

(1) Patents

As at the Latest Practicable Date, CMTST had registered the following patents:

Title	Place of Registration	Type	Registration Number	Period of Validity
A Nozzle System of Large-area Continuously Uniform Chemical Vapor Deposition (一種可連續大面積均勻化學氣相沉積的噴頭系統)	PRC	Invention	ZL 2008 10072222.9	24 November 2008 to 23 November 2028
A Wind-solar Photovoltaic Hybrid MPPT Controller (一種風光互補MPPT控制器)	PRC	Utility model	ZL 2012 20073114.5	1 March 2012 to 28 February 2022
A Frame Disassembling Device For Solar Module (一種太陽能組件邊框拆卸設備)	PRC	Utility model	ZL 2011 20289282.3	28 March 2012 to 27 March 2022

A Nozzle System of Large-area Continuously Uniform Chemical Vapor Deposition relates to a nozzle system which is necessary for continuously chemical vapor deposition of large area transparent conductive thin film on glass substrate. This system is able to reduce the deposition temperature and increase large area depositing uniformity by optimising the internal structure, in order to guarantee the normal production.

A Wind-solar Photovoltaic Hybrid MPPT Controller relates to a controller which is applied to wind-solar PV hybrid system. This type of controller can quicken the tracking pace and improve the safety and efficiency of charging up the battery, raising the utilisation rate of solar and wind resources.

A Frame Disassembling Device For Solar Module relates to a disassembling device which consists of fixed bracket, safe belt, tensioning equipment, tension balancing device. It overcomes the high damaging rate of recent solar module frame disassembling methods and guarantees the module in perfect condition after disassembling with more effectiveness, higher controllability and lower cost.

(2) Trademarks

As at the Latest Practicable Date, CMTST had been licensed to use the following trademarks:

Trademark	Licensor	License Fee	Place of Registration	Trademark Number	Class	Expiry Date
	LPTQ	Nil	European Union	009470345	009	25 October 2020
LSP	LPTQ	Nil	European Union	009470196	009	25 October 2020
LINSUN POWER	LPTQ	Nil	European Union	009470253	009	25 October 2020
	LPTQ	Nil	European Union	009817164	009, 019, 042	17 March 2021
	LPTQ	Nil	United States of America	4,056,244	9	14 November 2021
	LPTQ	Nil	Hong Kong	302029013	9	8 September 2021

LPTQ issued the trademark license to CMTST on 15 March 2011, pursuant to which LPTQ licensed its trademarks registered in the European Union, United States and Hong Kong for CMTST's use in its manufacturing and sales of all kinds of solar modules and PV products. The trademark license is on a royalty-free basis and would take into effect from the date of the approval of registration of the trademarks.

PART C — PROPOSED CONTINUING CONNECTED TRANSACTIONS

It is contemplated that upon Completion, certain transactions will continue or be entered into (1) between the Enlarged Group and CMNEG Group; (2) between the Enlarged Group and GCL-Poly Group; and (3) between the Enlarged Group and EBOD Group. Such transactions include (1) Category (A) the provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group; (2) Category (B) the supply of materials from members of GCL-Poly Group to members of the Enlarged Group; (3) Category (C) the supply of materials from members of the Enlarged Group to members of EBOD Group; and (4) Category (D) the provision of processing services by members of the Enlarged Group to members of the EBOD Group below:

A. PROVISION OF SOLAR ELECTRICITY AND ENERGY SAVING SERVICE BY MEMBERS OF THE ENLARGED GROUP TO MEMBERS OF CMNEG GROUP

CTNE, a member of the Target Group, entered into three framework agreements with members of the CMNEG Group, which set out the overriding and principal terms, among others, for the provision of solar electricity by CTNE to members of CMNEG Group. Details of the terms and conditions for such solar electricity provision service contemplated under the relevant framework agreements will be dealt

with in separate solar electricity supply and energy saving service agreement(s), which will be in line with the Target Group's policies and may vary according to the prevailing market conditions and change in the relevant rules, regulations and state policy applicable to solar energy industry.

1. On 29 December 2011, CTNE and CSOSA, a member of CMNEG Group entered into a framework agreement, whereby the parties agreed, among others, the provision of solar electricity by CTNE to CSOSA and its affiliates. Details of the terms and conditions for the provision of solar electricity as contemplated will be determined by solar electricity supply and energy saving service agreement(s) to be entered into by CTNE or its subsidiaries with CSOSA or its affiliates. It is anticipated that CTNE or its subsidiaries operating solar power plants will enter into solar electricity supply and energy saving service agreement(s) with CSOSA or its affiliates for the supply of solar electricity and provision of related electricity saving services by CTNE or its subsidiaries for the coming three financial years ending 31 December 2015.

   Term — The term of the framework agreement is a period of 25 years commencing from the date of the framework agreement.

   Pricing — Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply promulgated by the local Price Control Administration (物價局), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustment, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into the generation, transmission and maintenance costs.

   Existing transaction(s) — There was no solar electricity supply and energy saving service agreement(s) signed pursuant to the relevant framework agreement as at the Latest Practicable Date.

2. On 30 December 2011, CTNE and CMBL, a member of CMNEG Group entered into a framework agreement, whereby the parties agreed, among others, the provision of solar electricity by CTNE to CMBL and its affiliates. Details of the terms and conditions for the provision of solar electricity as contemplated will be determined by solar electricity supply and energy saving service agreement(s) to be entered into by CTNE or its subsidiaries with CMBL or its affiliates. It is anticipated that CTNE or its subsidiaries operating solar power plants will enter into solar electricity supply and energy saving service agreement(s) with CMBL or its affiliates for the supply of solar electricity and provision of related electricity saving services by CTNE or its subsidiaries for the coming three financial years ending 31 December 2015.

Term — The term of the framework agreement is a period of 25 years commencing from the date of the framework agreement.

Pricing — Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply promulgated by the local Price Control Administration (物價局), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustment, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into the generation, transmission and maintenance costs.

Existing transaction(s) — On 25 May 2012, CMSZ, a subsidiary of CTNE, and CMBL entered into a solar electricity supply and energy saving service agreement for the supply of solar electricity and provision of related energy saving services by CMSZ to CMBL for a term of 20 years commencing from 3 May 2012 and expiring on 2 May 2032. Pursuant to the relevant framework agreement and the solar electricity supply and energy service agreement, the price payable for the provision of solar electricity shall be the standard price for electricity supply promulgated by the local Price Control Administration (物價局) and to be adjusted in accordance the applicable rules and regulations from time to time and the initial price is RMB0.715/kwh. If the parties fail to agree on the adjustment on the price, either party may terminate the solar electricity supply and energy saving service agreement.

3. On 28 November 2011, CTNE and CMLH, a member of CMNEG Group entered into a framework agreement, whereby the parties agreed, among others, the provision of solar electricity from CTNE to CMLH and its affiliates. Details of the terms and conditions for the provision of solar electricity as contemplated will be determined by solar electricity supply and energy saving service agreement(s) to be entered into by CTNE or its subsidiaries with CMLH or its affiliates. It is anticipated that CTNE or its subsidiaries operating solar power plants will enter into solar electricity supply and energy saving service agreement(s) with CMLH and its affiliates for the supply of solar electricity and provision of related energy saving services by CTNE or its subsidiaries for the coming three financial years ending 31 December 2015.

   Term — The term of the framework agreement is a period of 25 years commencing from the date of the framework agreement.

   Pricing — Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply

promulgated by the local Price Control Administration (物價局), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustment, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into the generation, transmission and maintenance costs.

Existing transaction(s) — There was no solar electricity supply and energy saving service agreement(s) signed pursuant to the relevant framework agreement as at the Latest Practicable Date.

B. SUPPLY OF MATERIALS FROM MEMBERS OF GCL-POLY GROUP TO MEMBERS OF THE ENLARGED GROUP

On 3 December 2010, GPQST, a member of the Group and GCLPT, a member of the GCL-Poly Group entered into a supply agreement for the supply of polysilicon from GCLPT to members of the Group. The supply agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of polysilicon as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

Term — The supply agreement sets out the terms for the supply between 2011 and 2015. In the fourth quarter of 2015, the parties will negotiate for a renewed agreement with such terms and conditions as may be agreed.

Pricing — Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable than the terms available from Independent Third Parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned. The market price of polysilicon is volatile and may have great variation every month. The price will be agreed upon by the parties for transactions each month by reference to market price listed on the website of PV Insights (pvinsights.com), an international solar PV research firm which provides reports, advisory service and price reports and has its solar PV analysts, contacts and methodologies in information analyses, market forecasts and consulting services. Payments for the transactions will be at such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.

C. SUPPLY OF MATERIALS FROM MEMBERS OF THE ENLARGED GROUP TO MEMBERS OF EBOD GROUP

On 20 November 2012, GPQST, a member of the Group and LPTQ, a member of EBOD Group entered into a supply agreement for the supply of solar cells from GPQST to LPTQ. The supply agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of solar cells as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

Term — The term of the supply agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015.

Pricing — Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available from Independent Third Parties. The market price of solar cells is volatile and may have great variation every month. The price will be agreed upon by the parties for transactions each month by reference to the market price listed on the website of PV Insights (pvinsights.com), an international solar PV research firm.

D. PROVISION OF PROCESSING SERVICES BY MEMBERS OF THE ENLARGED GROUP TO MEMBERS OF EBOD GROUP

On 16 November 2012, CMTST, a member of the Target Group and LPTQ, a member of the EBOD Group entered into an agreement for provision of processing service from CMTST to LPTQ, whereby CMTST will process the solar cells provided by LPTQ into solar modules.

Term — The term of the processing service agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015.

Pricing — The provision of processing services will be provided on normal commercial terms, in the absence of specific official price for similar services and sufficient comparable transactions to assess whether they are on normal commercial terms, which terms will be no less favourable than the terms available to Independent Third Parties. Pursuant to the processing service agreement, the unit price is RMB2.4 per watt for the processing services, which is determined by reference to price offered by the Target Group to Independent Third Parties.

REQUIREMENTS OF THE LISTING RULES

Transactions with CMNEG Group

Upon Completion, CMNEG will be interested in approximately 25.39% of the issued share capital of the Company and will therefore become a connected person of the Company. Transactions between the Enlarged Group and CMNEG Group constitute continuing connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules under the aggregate annual amounts of the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group will exceed 5% and the aggregate annual consideration for those Continuing Connected Transactions is expected to exceed HK$10,000,000, the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group should be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CMNEG Group and its associates will abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group if any of them hold any Shares as at the date of the SGM.

Transactions with GCL-Poly Group

Upon Completion, GCL-Poly will be interested in approximately 13.03% of the issued share capital of the Company and will therefore become a connected person of the Company. Transactions between the Enlarged Group and GCL-Poly Group constitute continuing connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules under the aggregate annual amounts of the Continuing Connected Transactions falling within category (B) supply of materials from members of GCL-Poly Group to members of the Enlarged Group will exceed 5% and the aggregate annual consideration for those Continuing Connected Transactions is expected to exceed HK$10,000,000, the Continuing Connected Transactions falling within category (B) supply of materials from members of GCL-Poly Group to members of the Enlarged Group should be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GCL-Poly Group and its associates will abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within category (B) supply of materials from members of GCL-Poly Group to members of the Enlarged Group if any of them hold any Shares as at the date of the SGM.

Transactions with EBOD Group

Upon Completion, EBOD will be interested in approximately 3.41% of the issued share capital of the Company. As EBOD is an associate of CMNEG, it will therefore also become a connected person of the Company upon Completion. Transactions between the Enlarged Group and EBOD Group constitute continuing connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules under the respective aggregate annual amounts of the Continuing Connected Transactions falling within each of (C) supply of materials from members of the Enlarged Group to members of EBOD Group and (D) provision of processing services by members of the Enlarged Group to members of EBOD Group will exceed 5% and the aggregate annual consideration for those Continuing Connected Transactions falling within each of the categories (C) and (D) is expected to exceed HK$10,000,000, the Continuing Connected Transactions falling within the categories of (C) supply of materials from members of the Enlarged Group to members of EBOD Group; and (D) provision of processing services by members of the Enlarged Group to members of EBOD Group should be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EBOD Group and its associates will abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within categories (C) supply of materials from members of the Enlarged Group to members of EBOD Group and (D) provision of processing services by members of the Enlarged Group to members of EBOD Group if any of them hold any Shares as at the date of the SGM.

None of the Directors has any material interest in the Continuing Connected Transactions and therefore none of the Directors was required to abstain from voting on the board resolutions approving the Continuing Connected Transactions.

PROPOSED ANNUAL CAPS

The following table sets out the proposed Annual Caps of the Continuing Connected Transactions for the three financial years ending 31 December 2015:

Continuing Connected Transactions	Major type of products/services	For the financial year ending 31 December 2013 Proposed Cap *(RMB'000)*	2014 Proposed Cap *(RMB'000)*	2015 Proposed Cap *(RMB'000)*
A. Provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group				
A1 Provision of solar electricity by the Enlarged Group to CSOSA and its affiliates	Solar electricity	1,959	2,018	2,078
A2 Provision of solar electricity by the Enlarged Group to CMBL and its affiliates	Solar electricity	19,591	20,178	20,784
A3 Provision of solar electricity by the Enlarged Group to CMLH and its affiliates	Solar electricity	4,898	100,894	103,920
Total for this category A		**26,448**	**123,090**	**126,782**
B. Supply of materials from members of GCL-Poly Group to members of the Enlarged Group				
Supply of polysilicon from members of GCL-Poly Group to members of Enlarged Group	Polysilicon	**320,000**	**320,000**	**320,000**
C. Supply of materials from members of the Enlarged Group to members of EBOD Group				
Supply to solar cells from members of the Enlarged Group to LPTQ	Solar cells	**184,000**	**184,000**	**184,000**
D. Provision of processing services by members of the Enlarged Group to members of EBOD Group				
Provision of processing services to LPTQ from members of the Enlarged Group	Processing services	**160,000**	**160,000**	**160,000**

BASIS IN DETERMINING THE PROPOSED ANNUAL CAPS

In determining the proposed Annual Caps for those Continuing Connected Transactions involving provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group (Category A), the Board has taken into account:

(1) the said framework agreement entered into between CTNE and CSOSA dated 29 December 2011 in relation to, among others, the supply of solar electricity from CTNE;

(2) the said framework agreement entered into between CTNE and CMBL dated 30 December 2011 in relation to, among others, the supply of solar electricity from CTNE;

(3) the said framework agreement entered into between CTNE and CMLH dated 28 November 2011 in relation to, among others, the supply of solar electricity from CTNE;

(4) the construction plan of the power plants, the projected installed capacity of the power plants and annual electric power production pursuant to the three framework agreements as set out in (1), (2) and (3) above upon commencement of operation of the power plants in the three financial years ending 31 December 2015; and

(5) the relevant PRC rules and regulations governing the supply of solar electricity for determining the price payable for the solar electricity in the relevant regions.

Taking into account of and be consistent with the current business plan of the Target Group, it is expected that the maximum projected electricity generation capacity for the transactions under Category A will be 27MW, 122MW and 122MW by 2013, 2014 and 2015, respectively and the estimated annual electric power production will be 36,990,000 KWh, 167,140,000 KWh and 167,140,000 KWh by 2013, 2014 and 2015, respectively. For the purpose of determining the Proposed Annual Caps (which equal to the estimated annual electric power production multiplied by the electricity price), the current standard electricity price of RMB0.715/KWh is adopted with an assumed annual growth rate of 3%, which is determined by reference to the long-term inflation rate. The retail electricity price varies across different regions of the PRC and is set by the local Price Control Administration in accordance with different categories of end users and voltage level classification. RMB0.715/KWh is the current standard electricity price applicable to industrial end users in Shenzhen.

The total transaction amount of the Continuing Connected Transactions involving supply of polysilicon from members of GCL-Poly Group to members of the Enlarged Group (Category B) for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were RMB102,150,000, RMB358,121,000 and RMB47,050,000, respectively. The total transaction amounts decreased substantially since 31 December 2011 due to weak demand for the Group's solar cells. Aggressive price cut on solar cell by competitors led to intense competition and contraction in production of solar cells by the Group, which in turn, led to a decline in demand from the Group.

In determining the proposed Annual Caps for those Continuing Connected Transactions involving supply of polysilicon from members of GCL-Poly Group to members of the Enlarged Group (Category B), the Board has taken into account:

(1) the historical transaction amount of the Continuing Connected Transactions involving supply of polysilicon from members of GCL-Poly Group to members of the Enlarged Group (Category B);

(2) the framework agreement dated 14 November 2012 signed between the Target Company, GCL-Poly Investment and EBOD in relation to, among others, construction and acquisition of solar power plants;

(3) the supply agreement dated 3 December 2010 signed between GPQST and GCLPT in relation to the supply of polysilicon from GCLPT to members of the Group;

(4) the anticipated increase in solar cells production and expected level of demand of solar cells produced by the Group arising from the construction plan of the power plants, the projected installed capacity of the power plants and annual electric power production upon commencement of operation of the power plants in the three financial years ending 31 December 2015;

(5) the price of polysilicon purchased from Independent Third Parties;

(6) the production capacity of the Group; and

(7) the anticipated growth of solar energy industry in the PRC in the coming three financial years ended 31 December 2015.

The Proposed Annual Caps for transactions under Category B is based on the maximum annual production capacity of solar cells of the Group based on existing resources. The maximum annual production capacity of solar cells of the Group is 200MW and this translates into demand of approximately 50,000,000 pieces of wafers. Assuming that the production capacity will be utilised at 85%, the maximum supply of polysilicon required from members of GCL-Poly Group will be approximately 42,500,000 pieces at the price of approximately RMB7.6 per piece, which was the average purchase price for the polysilicon paid by the Group from February to August 2012.

The total transaction amount of the Continuing Connected Transactions involving supply of solar cells from members of the Enlarged Group to members of EBOD Group (Category C) for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were RMB4,272,000, RMB92,079,000 and nil, respectively. The total transaction amounts decreased substantially since 31 December 2011 due to weak demand for the Group's solar cells. Aggressive price cut on solar cells by competitors led to intense competition and contraction in production of solar cells by the Group, and accordingly, the sales of solar cells of the Group decreased.

In determining the proposed Annual Caps for those Continuing Connected Transactions involving supply of solar cells from members of the Enlarged Group to members of EBOD Group (Category C), the Board has taken into account:

(1) the historical transaction amount of the Continuing Connected Transactions involving supply of solar cells from members of the Enlarged Group to members of EBOD Group (Category C);

(2) the supply agreement dated 20 November 2012 signed between GPQST and LPTQ in relation to the supply of solar cells from GPQST to LPTQ;

(3) the price of solar cells sold to Independent Third Parties; and

(4) the anticipated growth of solar energy industry in the PRC in the coming three financial years ending 31 December 2015.

The Proposed Annual Caps for transactions under Category C is based on the maximum annual production capacity of solar cells of the Group based on existing resources and the expected demand for solar cells from LPTQ in the coming three financial years ending 31 December 2015. On the basis that LPTQ will purchase approximately 50,000,000 pieces of solar cells by end of 2015 at the price of RMB11 per piece, which as the average sales price of solar cells of the Group sold from April to September 2012, the total amount of estimated purchase of solar cells will be RMB550,000,000. The Proposed Annual Caps for transactions under Category C is the average approximate transaction amount for each year ending 2013, 2014 and 2015, respectively.

The total transaction amount of the Continuing Connected Transactions involving provision of processing services to members of EBOD Group (Category D) from members of the Target Group for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were nil, nil and RMB801,900, respectively.

In determining the proposed Annual Caps for those Continuing Connected Transactions involving provision of processing services to EBOD Group (Category D), the Board has taken into account:

(1) the historical transaction amount of the Continuing Connected Transactions involving provision of processing services to members of EBOD Group (Category D);

(2) the agreement for provision of processing service dated 16 November 2012 signed between CMTST, a member of the Target Group and LPTQ, a member of the EBOD Group in relation to the provision of processing service from CMTST to LPTQ;

(3) the anticipated growth of solar energy industry in the PRC in the coming three financial years ending 31 December 2015; and

(4) the planned generating capacity of solar power plants to be launched by the PRC authorities under the Golden Sun Program.

Pursuant to the processing service agreement dated 16 November 2012 signed between CMTST and LPTQ, a total of 200MW solar cells will be processed at unit price of RMB2.4 per watt for the three financial years ending 31 December 2015. The total transaction amount under the said processing service agreement is RMB480,000,000. The Proposed Annual Caps for transactions under Category D in the amount of RMB160,000,000 represents the average transaction amount for each year ending 2013, 2014 and 2015 under the said processing service agreement.

As the Continuing Connected Transactions falling within category (A) are new transactions in contemplation of the Acquisition, no historical figures are available for disclosure purpose.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

CMNEG, GCL-Poly, and EBOD are active players with different positioning in the solar energy industry. After completion of the Acquisition, certain continuing connected transactions will be entered into between the Enlarged Group and CMNEG Group, GCL-Poly Group and EBOD Group, respectively to enable the Enlarged Group to maintain its business in solar cell manufacturing and develop the business in the investment, operation and management of solar power plants in the solar energy industry.

CMNEG is an indirect subsidiary of China Merchants Group Limited. China Merchants Group Limited and its subsidiaries engage in various major business sectors in the PRC, such as transportation and related infrastructure (ports, toll roads, energy transportation and logistics), financial investment and asset management, as well as property development and management. The relationship with China Merchants Group Limited provides CMNEG with access to the rooftops of suitable properties owned by the subsidiaries of China Merchants Group Limited, which can be utilised for development as rooftop solar power plants.

GCL-Poly is one of the world's leading producers of polysilicon and wafers and will continue to supply polysilicon and wafers to the Enlarged Group to manufacture solar cells after Completion.

LPTQ has obtained certificates issued by the China Quality Certification Centre (中國質量認證中心) in respect of manufacturing of poly solar modules. Solar modules meeting the requirements of such certification can be supplied to solar power plant projects eligible for the Golden Sun Program. LPTQ outsources the processing services to CMTST to utilise the production capacity of CMTST with a view to capture the growing opportunities in solar power plant projects promoted by the Golden Sun Program.

Having considered the anticipated increasing demand of solar cells and processing services from EBOD Group whose transaction terms are no less favourable than terms available from other Independent Third Parties, the Directors believe that the supply of solar cells and provision of processing services to EBOD Group will enable the Enlarged Group to enhance the sales performance and profitability of the Group.

In respect of the terms of the framework agreements as mentioned in the paragraph headed "A. Provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group" above, as advised by the Target Company, save for such framework agreements, the Target Group has not entered into similar framework agreements in relation to the provision of solar electricity and related energy saving services. GCL-Poly Investment, which is engaged in development of power related projects, has provided sample agreements in relation to the provision of solar electricity

and related energy saving services for reference and based on which, the Independent Financial Adviser is of the view that the term of 25 years as contained in each of such framework agreements is in accordance with normal business practice.

All the Continuing Connected Transactions are carried out in the ordinary course of business of the Enlarged Group and will continue to be carried out in the three financial years ending 31 December 2015. Accordingly, the Board considers it appropriate to seek Independent Shareholders' approval for the Continuing Connected Transactions.

In the premises, the executive Directors and the non-executive Directors consider the terms of the agreements governing the Continuing Connected Transactions to be fair and reasonable and in the interest of the Shareholders so far as the Shareholders are concerned.

PART D — PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$500,000,000 divided into 5,000,000,000 Shares of HK$0.1 each, of which 881,908,389 Shares have been issued and 1,583,150,842 Shares shall be issued upon the conversion of the existing Share Options and the Jet Mile Convertible Notes issued by the Company. Upon the issue of the Consideration Shares and the Conversion Shares, assuming that the Conversion Rights are to be exercised in full at the initial Conversion Price, there will remain 415,030,769 unissued Shares under the existing authorised share capital of the Company, representing approximately 8.30% of the authorised share capital of the Company as at the Latest Practicable Date.

The Board proposes to increase the authorised share capital of the Company from HK$500,000,000 divided into 5,000,000,000 Shares of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 Shares of HK$0.1 each by the creation of an additional 5,000,000,000 unissued Shares of HK$0.1 each to provide flexibility for the Company to increase its issued capital base in the future. The Board believes that the Authorised Share Capital Increase is in the interests of the Company and the Shareholders as a whole. The Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM.

PART E — BIOGRAPHIES OF DIRECTORS AND MANAGEMENT

1. MANAGEMENT EXPERIENCE OF THE GROUP

It is the intention of the Company that Mr. Yiu Ka So, an executive Director and Academician Yao Jiannian, a non-executive Director will take part in the supervision of the solar energy business of the Enlarged Group after Completion.

Mr. Yiu Ka So, aged 39, has been an executive Director since October 2010. Mr. Yiu has over 10 years of experience in project and general management. He oversees the entire solar energy operations of the Group and participates in high level management discussions and strategic planning of the Group's solar energy business. In 2011, the Group commenced the development of a 10.8MW user on-grid PV power generation demonstration project (the "**Demonstration Project**"). The Demonstration Project has been selected as one of the projects eligible for the Golden Sun Program and the Group will in total receive a subsidy of approximately RMB97.2 million from the PRC government. Mr. Yiu has been in charge of monitoring the Demonstration Project.

Academician Yao Jiannian, aged 59, has been a non-executive Director since October 2010. He had been the deputy head of the Institute of Chemistry, the Chinese Academy of Sciences ("**CAS**") during the period from March 2000 to March 2008. Academician Yao is currently a researcher with the Institute of Chemistry, CAS and was elected as an academician of the CAS in 2005. Academician Yao has been a member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, and is a member of the standing committee of the 11th National People's Congress, and member of the 7th National Committee of China Association for Science and Technology.

Academician Yao was also the Deputy Director of National Natural Science Foundation of China ("**NSFC**"). The NSFC was founded in February 1986 and is an organisation directly affiliated to the State Council of the PRC for the management of the National Natural Science Fund which aims at promoting and financing basic research and applied research in the PRC. From the above, Academician Yao and his team have been able to share their relevant technical achievements, assembling with the Group in research and development for the solar cell models and provide improvement of the solar cell efficiency rates and further lower the production cost which in turn help enhance the technology of the solar power system and output productivity of the solar power plants of the Group.

2. BIOGRAPHIES OF PROPOSED DIRECTORS

Upon Completion, the Company will appoint two executive Directors and two non-executive Directors to the Board.

Executive Directors

Mr. Alan Li, aged 45, is the board chairman, executive director, CEO of each of EBOD and the Target Company. He is also director of CMNEG and Pairing Venture Limited. Mr. Li is responsible for overseeing the business strategies, mergers and acquisitions, capital market development. Prior to joining CMNEG, Mr. Li served as the executive director of Linchest Technology Ltd. and Shun Tai Investment Limited and was mainly engaged in investment, mergers and acquisitions in China. Mr. Li has extensive and solid experience in investment and management of conglomerate companies. Mr. Li received an MBA degree from Murdoch University of Australia. In view of Mr. Li's experience in corporate finance, it is expected that Mr. Li will be responsible for the coordination and overseeing of the Enlarged Group's investment in, and overall financing arrangement for, the solar power plant projects.

Mr. Zhenwei Lu, aged 42, is the executive director and CFO of EBOD, general manager of Shenzhen China Merchants Group Yinke Investment Management Ltd. Mr. Lu is also the director of each of China Merchants Technology Group Co., Ltd., CMNEG, the Target Company. Mr. Lu served as a director of 北京清華華環電子股份有限公司 (Beijing Qinghua Huahuan Electronics Co., Ltd.**) and 中國科招高技術有限公司 (China KZ High technology Co., Ltd.**), and general manager of China Merchants Technology Group Co., Ltd.. Prior to joining China Merchants Group Limited, Mr. Lu served as a director, general manager, deputy manager and CFO in a number of companies. He is a veteran in venture investment and management with more than ten years experience and shares unique insights of financing matters. Mr. Lu was awarded a bachelor degree in economics by the Shanghai Maritime University and a master degree in finance by Zhongnan University of Economics and Law. Mr. Lu has acquired solid experience in corporate finance, it is expected that Mr. Lu will assist the Enlarged Group to obtain and negotiate for facilities with financial institutions to fund the solar power plant projects and for further business development.

Non-Executive Directors

Mr. Baiqian Yang, aged 47, serves as the deputy general manager of China Merchants Shekou Industrial Zone Co., Ltd., the board chairman and the general manager of China Merchants Technology Group Co., Ltd., Shenzhen China Merchants Technology Investment Co., Ltd., Shenzhen Beike Venture Co., Ltd. Mr. Yang is also the board chairman and director of CMNEG. and a director of the Target Company. Prior to joining China Merchants Group Limited, Mr. Yang served as a manager and deputy general manager of Computer Application Research Institute of Ministry of Communication, Shenzhen Shekou Planning and Statistic Bureau. Mr. Yang has extensive experience in business administration, investment management, as well as capital market development. Mr. Yang holds an MBA from Tsinghua University Economic and Management School and a Bachelor's degree in Modern Control Theory from Nankai University. Since Mr. Yang is the general manager of various member of the CMNEG Group and has worked for governmental bureau, it is expected Mr. Yang will play an important role in facilitating the cooperation between the Enlarged Group and the CMNEG Group and in maintaining good relationship with the government.

Ms. Maggie, Ping Qiu, aged 34, is the company secretary, senior vice president of EBOD, a director and president of the Target Company. Ms. Qiu is responsible for overseeing the legal matters, compliance, corporate governance and personnel matters. Prior to joining the Target Company, Ms. Qiu served as assistant to general manager in a number of multinational companies and gained extensive experience in corporate governance, mergers and acquisitions as well as project management. Ms. Qiu holds a bachelor degree in economics and a bachelor degree in German Literature from Beijing University. Ms. Qiu was also awarded a master degree in European culture and economics by Ruhr University Bochum in Germany and a master of laws in corporate and financial law in the University of Hong Kong. Ms. Qiu has developed extensive experience in overseeing legal and compliance matters and it is expected that Ms. Qiu will strengthen the Enlarged Group's ability in complying with the legal or other compliance requirements, in particular, those specific requirements in connection with the solar power plant projects.

Three of the proposed directors to be appointed by the Company also hold the senior positions in EBOD, which launched its solar energy business in 2007 and is currently engaged in the manufacturing and sales of solar power modules for electricity generation and the related application products, such as off-grid solar systems, solar lighting and solar power chargers. By working in EBOD, these proposed Directors have gained solid experience and in-depth knowledge of solar energy industry. The extensive industry experience of the proposed Directors will provide the Board with perspectives appropriate for development of the Group's solar power plants business and fostering the competitive edge of the Group over its competitors. In addition to the specific roles as mentioned above, the proposed Directors, as a member of the Board, will assist the Board to oversee the Company's strategic development and monitor the operating and financial performance of the solar power plants to be developed or to be acquired by the Enlarged Group in pursuit of the Group's strategic objectives. By appointment of the proposed Directors, the Directors are confident that the Enlarged Group is able to manage its future solar power business effectively and efficiently.

Since the Target Group also engages in the assembling of solar power modules through its subsidiary in Fujian Province of the PRC, there might be overlap of part of the Enlarged Group's business and the business of EBOD Group, in which three of the proposed directors, namely Mr. Alan Li, Mr. Zhenwei Lu and Ms. Maggie, Ping Qiu, to be appointed by the Company hold senior positions. The Directors are of the view that any potential conflict of interest arising from EBOD Group would be effectively mitigated given that the proposed directors to be appointed by the Company do not control the board of the Enlarged Group. Furthermore, in the event of conflict of interests, the proposed directors who hold senior positions in EBOD Group would be required to abstain from voting on the relevant resolution proposed in accordance with the bye-laws of the Company.

PART F — SGM

A notice convening the SGM to be held at Monet Room, B1, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 29 May 2013 at 3:00 p.m. is set out from pages 384 to 388 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the appointment of the persons nominated by CMNEG as Directors, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps).

The ordinary resolutions to be proposed at the SGM will be determined by way of poll. Any Shareholder who or whose associates which has a material interest in the transactions and those who are involved in or interested in the relevant resolutions to be approved at the SGM will abstain from voting on the relevant resolutions.

As at the Latest Practicable Date, one of the Vendors, Hyatt Servicing, was a company owned as to approximately 99.99% by Mr. Hung. Mr. Hung and Jet Mile, a company which was owned as to 66.70% by Mr. Hung, were interested in an aggregate of 157,312,803 Shares, representing approximately 17.84% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Hong, who is acting in concert with Mr. Hung, held 1,800,000 Shares as at the Latest Practicable Date. As at the Latest Practicable Date, one of the Vendors, China Green was interested in 22,905,621 Shares, representing approximately 2.60% of the issued share capital of the Company. Save as disclosed above, none of the Vendors nor their respective associates was interested in any Shares as at the Latest Practicable Date.

Accordingly, in respect of the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the appointment of the persons nominated by CMNEG as Directors), Mr. Hung and his associates (including Jet Mile), China Green and its associates will be required to abstain from voting at the SGM. To avoid any potential conflict of interest, Mr. Hong and his associates will also abstain from voting at the SGM in respect of the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the appointment of the persons nominated by CMNEG as Directors).

Upon Completion, (1) CMNEG will be interested in approximately 25.39% of the issued share capital of the Company and will therefore become a connected person of the Company; (2) GCL-Poly will be interested in approximately 13.03% of the issued share capital of the Company and will therefore

become a connected person of the Company; and (3) EBOD will be interested in approximately 3.41% of the issued share capital of the Company and will therefore become a connected person of the Company.

Accordingly, (1) CMNEG Group and its associates will be required to abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group if any of them hold any Shares as at the date of the SGM; (2) GCL-Poly Group and its associates will be required to abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within category (B) supply of materials from members of GCL-Poly Group to members of the Enlarged Group if any of them hold any Shares as at the date of the SGM; and (3) EBOD Group and its associates will be required to abstain from voting on the resolutions to approve the Continuing Connected Transactions falling within categories (C) supply of materials from members of the Enlarged Group to members of EBOD Group and (D) provision of processing services by members of the Enlarged Group to members of EBOD Group if any of them hold any Shares as at the date of the SGM.

To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than China Green, who is acting in concert with CMNEG and one of the members of the EBOD Group, who was interested in 22,905,621 Shares, representing approximately 2.60% of the issued share capital of the Company as at the Latest Practicable Date, none of the members of the CMNEG Group, GCL-Poly Group and EBOD Group nor their respective associates was interested in any Shares as at the Latest Practicable Date. Accordingly, China Green and its associates will be required to abstain from voting on the resolutions to approve (1) the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group; and (2) the Continuing Connected Transactions falling within categories (C) supply of materials from members of the Enlarged Group to members of EBOD Group and (D) provision of processing services by members of the Enlarged Group to members of EBOD Group.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the principal place of business of the Company at Room 6301, The Center, 99 Queen's Road Central, Hong Kong and in any event not less than 48 hours before the time scheduled for the holding of the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournments thereof should you so desire.

PART G — RECOMMENDATIONS

The Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps).

Veda Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps).

The Independent Board Committee, having taken into account the advice of Veda Capital Limited, is of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps) 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, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps) as set out in the notice of the SGM enclosed with this circular.

PART H — 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 from pages 384 to 388, which form part of this circular.

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

By the Order of the Board
Goldpoly New Energy Holdings Limited
Lam Ho Fai
Executive Director

GOLDPOLY NEW ENERGY HOLDINGS LIMITED
金保利新能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

Date: 10 May 2013

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 92.17% OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA MERCHANTS NEW ENERGY HOLDINGS LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps), details of which are set out in the letter from the Board in the circular (the "**Circular**") of the Company dated 10 May 2013, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as ascribed thereto in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Veda Capital Limited as set out from pages 160 to 215 of the Circular, which contains its advice and recommendation to us as to whether or not the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of Veda Capital Limited as stated in its aforementioned letter of advice, and having considered the factors as set out under "Letter from the Board — Part A — 1. Sale and Purchase Agreement — Basis of Consideration" in this circular, we are of the opinion that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore

* *for identification purpose only*

recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Continuing Connected Transactions (including the proposed Annual Caps).

Yours faithfully,
The Independent Board Committee of
Goldpoly New Energy Holdings Limited

Mr. Kwan Kai Cheong
Independent non-executive Director

Mr. Ching Kwok Ho, Samuel
Independent non-executive Director

Mr. Yen Yuen Ho, Tony
Independent non-executive Director

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the Continuing Connected Transactions which have been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 3711, 37/F
Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

10 May 2013

To the Independent Board Committee and the Independent Shareholders of Goldpoly New Energy Holdings Limited

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF APPROXIMATELY 92.17% OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA MERCHANTS NEW ENERGY HOLDINGS LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND (2) PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the Sale and Purchase Agreement and the Continuing Connected Transactions, details of which are set out in the circular to the Shareholders dated 10 May 2013 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 November 2012, the Vendors, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Company entered into the Sale and Purchase Agreement, which was amended on 31 March 2013. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase the Sale Shares from the Vendors for a total consideration of HK$2,119,910,000 (subject to adjustment), which will be satisfied by the allotment and the issue of the Consideration Shares and the Convertible Bonds by the Company.

As at the Latest Practicable Date, one of the Vendors, Hyatt Servicing, was a company owned as to approximately 99.99% by Mr. Hung. Mr. Hung and Jet Mile, a company which was owned as to 66.70% by Mr. Hung, were interested in an aggregate of 157,312,803 Shares, representing approximately 17.84% of the issued share capital of the Company as at the Latest Practicable Date. Jet Mile also held the Jet Mile Convertible Notes as at the Latest Practicable Date. Hyatt Servicing, being an associate of Mr. Hung, who is a substantial shareholder of the Company, is a connected person of the

Company under the Listing Rules. Accordingly, the Acquisition constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders at the SGM.

In addition, it is contemplated that upon Completion, certain transactions will continue or be entered into (i) between the Enlarged Group and CMNEG Group; (ii) between the Enlarged Group and GCL-Poly Group; and (iii) between the Enlarged Group and EBOD Group. Such transactions include (i) Category (A) the provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group; (ii) Category (B) the supply of materials from members of GCL-Poly Group to members of the Enlarged Group; (iii) Category (C) the supply of materials from members of the Enlarged Group to members of EBOD Group; and (iv) Category (D) the provision of processing services by members of the Enlarged Group to members of EBOD Group.

CMNEG and GCL-Poly will be respectively interested in approximately 25.39% and 13.03% of the issued share capital of the Company upon Completion and will therefore become connected persons of the Company upon Completion. The continuing transactions between the Enlarged Group and CMNEG Group and GCL-Poly Group will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Completion. EBOD will be interested in approximately 3.41% of the issued share capital of the Company upon Completion. As EBOD is an associate of CMNEG, it will therefore also become a connected person of the Company upon Completion. The continuing transactions between the Enlarged Group and EBOD Group will also constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Completion.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders for the Sale and Purchase Agreement and the Continuing Connected Transactions as to (i) whether the terms of the Sale and Purchase Agreement and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Sale and Purchase Agreement and the Continuing Connected Transactions at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Director(s) and the management. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Director(s) and the management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth

investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Sale and Purchase Agreement and the Continuing Connected Transactions, we have taken into consideration the following factors and reasons:

A. The Sale and Purchase Agreement

1. *Information on the Target Group*

The Target Company is a limited liability company incorporated in the BVI on 8 February 2007 and is owned as to approximately 47.83% by CMNEG, approximately 17.39% by Ease Soar, approximately 8.69% by China Green, approximately 8.69% by Talesun, approximately 7.83% by the Purchaser, approximately 5.22% by Hyatt Servicing and approximately 4.35% by Sino Arena.

The Target Company is an investment holding company and the Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC.

It is the intention of the Target Company to position itself as the leading player in the design, development, investment, operation and management of solar power plants in the solar energy industry by taking advantage of the expertise and resources available from its shareholders and business partners, as well as the favourable state and local policies for solar energy industry in the PRC.

As set out in the Board Letter, the Target Group has entered into certain legally binding cooperation framework agreements with three CMNEG Group enterprises. According to the cooperation framework agreements, the Target Group was granted the exclusive use right of the rooftops of the buildings owned by such enterprises in the PRC with a total gross area of approximately 1.22 million square meters for a period of 25 years for installation of the solar power plants on such rooftops. The Target Group has also entered into certain legally binding agreements with Independent Third Parties, pursuant to which the Target Group has exclusive right to lease the rooftops of the properties owned by such Independent Third Parties for installation of roof-top solar power plants/systems. It is anticipated that the Target Group will complete the installation of solar power plants with a total capacity of approximately 122MW on the rooftops of the buildings owned by the three CMNEG Group enterprises by 2015.

The Target Group also looks for the opportunities to cooperate with its business partners to develop solar power plants or to acquire the solar power plants owned or to be developed by its business partners with good prospects and potential for high investment returns. The Target Company has strategically entered into certain legally binding

cooperation agreements for the cooperation with Zhongli Talesun, GCL-Poly Investment and certain Independent Third Parties for the investment, development and operation of both ground-based and rooftop solar power plant projects. Some of these projects are eligible for the Golden Sun Program. Pursuant to the aforementioned cooperation agreements entered into as at the Latest Practicable Date, it is anticipated that the total capacity of the solar power plant projects which are owned or may be acquired by the Target Group in the PRC will be approximately 2.16GW and 5GW by the financial years ending 31 December 2015 and 31 December 2017 respectively. Further details of the information of the Target Group and the solar power plant projects as contemplated under the cooperation agreements have been set out under the section headed "Part B — INFORMATION ON THE TARGET GROUP" in the Letter from the Board in the Circular (the "**Board Letter**").

Set out below are consolidated financial information of the Target Group for each of the three financial years ended 31 December 2012:

	For the year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	44,967	60,144	8,883
Net profit/(loss) before tax	1,744	(728)	(34,765)
Net profit/(loss) after tax	1,681	(728)	(34,765)

As at 31 December 2012, the consolidated net asset value of the Target Group was approximately RMB216.58 million.

As shown from above table, the revenue of the Target Group for the year ended 31 December 2012 was approximately RMB8.88 million, representing a decrease of approximately 85.23% to the revenue for the year ended 31 December 2011 of approximately RMB60.14 million. We have been given to understand that such decrease in revenue was mainly due to decrease of exports sales to Europe in 2012 compared with 2011 as a result of global economic downturn and cut of incentives in European Region. The Target Group recorded net loss after tax of approximately RMB34.77 million for the year ended 31 December 2012, representing an increase of approximately 4,675.41% to that for the year ended 31 December 2011 of approximately RMB0.73 million. We have been given to understand that the net loss in 2012 was mainly due to the amortization of share based payment, employee expenses and consulting fees which were amounted to approximately RMB19.00 million, approximately RMB6.34 million and approximately RMB0.58 million respectively for the year 2012 whilst the Target Group only recorded approximately RMB3.30 million for the employee expenses for the year 2011.

We noted from the report from the Company's reporting accountant as set out in Appendix II to the Circular, the reporting accountant had emphasized the concern in respect of the going concern basis of the Target Group because the Target Group incurred net loss of RMB728,000 and RMB34,765,000 for the years ended 31 December 2011 and 2012, as well as net operating cash outflows of RMB647,000 and RMB54,936,000 for the years ended 31

December 2011 and 2012, respectively; and the Target Group's current liabilities exceeded its total current assets by RMB5,405,000, RMB4,826,000, and RMB1,420,825,000 as of 31 December 2010, 2011 and 2012. The abovementioned conditions, along with other matters as described in the accountant report, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Target Group to continue as a going concern.

We have reviewed the working capital statement as stated under the section headed "WORKING CAPITAL STATEMENT" in Appendix III MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP AND THE TARGET GROUP in the Circular (the "**WC Statement**"). We noted from the WC Statement that as at 31 December 2012, the estimated total capital expenditure of the Target Group, net of (i) an up-front government subsidy of RMB0.6 billion (approximately HK$0.7 billion) and (ii) retention money of RMB0.4 billion (approximately HK$0.5 billion), up till 31 May 2014 was estimated to be approximately RMB5.3 billion (approximately HK$6.5 billion), of which approximately RMB1.5 billion (approximately HK$1.8 billion) represents committed obligations. The committed obligations mainly arise from the Target Group's acquisition of the 100MW and 20MW solar power plant projects at JiaYuGuan and Gonghe of RMB1.3 billion (approximately HK$1.5 billion) and RMB0.2 billion (approximately HK$0.3 billion), respectively. The remaining estimated capital expenditure of RMB3.8 billion (approximately HK$4.7 billion) does not constitute any committed obligations to the Target Group as at 31 December 2012.

We have been advised that the investment and development of the solar power plants projects is expected to be finance by the followings (the "**Financing Measures**"):

- pursuant to a framework agreement entered into between the Target Company and GCL-Poly Investment on 14 November 2012, GCL-Poly Investment or its affiliate will supply wafers or modules at market price up to an amount of RMB5 billion for a period of 36 months with trade credit support, subject to definitive agreements to be entered into by the parties thereto;

- in March 2013, CM Yinke has issued a letter of conditional financial support to the Target Company, by which CM Yinke confirmed that it will assess and make decisions in respect of the solar power plant projects which are being developed by the Target Company or which the Target Company has first rights of refusal to acquire, with a return of not less than 8% per annum. Subject to the compliance with the relevant PRC laws and policies, and CM Yinke is required to assess each project before financing is provided. CM Yinke will provide financing to the Target Company in qualified form to enable it to meet its due liabilities and to ensure there is no material contraction in its continuing business operation for the period commencing from the date of such letter till 30 June 2014. The directors of the Target Company are confident that their existing and future projects would meet the conditions and they would be able to obtain the relevant financial support from CM Yinke as indicated in the letter of conditional financial support. In addition, the directors of the Target Company have also committed that such assessment has to be made on project by project; and

- the Target Group has been in discussion with several banks to secure project financing for its planned solar power plant projects. In March 2013, China Development Bank (國家開發銀行) has granted to the Target Group a long-term loan facility of a principal amount of RMB800 million in order to finance the construction of the solar power plant project of Zhongli Jiayuguan acquired by the Target Group.

We have been given to understand by the Target Group that, after taking into account various financing measures, its committed capital expenditure obligation to be payable before 31 May 2014 amounted to approximately RMB0.8 billion will be refinanced by a long-term loan of RMB0.8 billion from China Development Bank (國家開發銀行) and the committed capital expenditure obligation to be payable after 31 May 2014 amounted to approximately RMB0.7 billion will be financed by internally generated funds and/or the conditional financial support from CM Yinke as to RMB0.6 billion and banking facilities as to RMB0.1billion (which is subject to the successful renewal of the relevant facilities and/or refinancing from other facilities). For the Target Group's uncommitted capital expenditure obligation amounted to approximately RMB3.8 billion, it is planned to be financed by the banking facilities, internal resources, the financing arrangements with GCL-Poly Investment and the conditional financial support from CM Yinke. We have also been given to understand the Target Group will approach banks or financial institutions to obtain favourable response for the facilities for each of the relevant solar power plant project and based on the past experience of the Target Group, certain external facilities have been secured from certain financial institutions.

We noted in the WC Statement, in determining the sufficiency of the working capital of the Enlarged Group, the Directors have made the assumptions that (i) the Enlarged Group's existing available banking facilities of RMB377 million (approximately HK$467 million), the loans totaling RMB900 million (approximately HK$1,116 million) drawn from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) and Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), which are due for repayment or renewal within 12 months from 10 May 2013, will be duly renewed or otherwise replaced by new financing arrangements of equivalent amounts, and (ii) additional financing facilities of approximately RMB3.1 billion (approximately HK$3.8 billion), will be duly obtained in the next 12 months, for project financing the investment, development and operation of solar power plant projects as contemplated by the relevant cooperation agreements or memoranda.

We also noted in the WC Statement, taking into account the expected completion of the transaction and the financial resources available to the Enlarged Group, including the internally generated funds, the existing banking facilities of RMB377 million (approximately HK$467 million) and their successful renewal upon their maturities, the successful refinancing of the loans totaling RMB900 million (approximately HK$1,116 million) from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) and Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), the loan of RMB100 million (approximately HK$124 million) from Goldpoly (Xiamen) Trading Co., Ltd (金保利(廈門)商貿有限公司), the deferral of repayment of the full outstanding balance due to Zhongli Talesun of RMB575 million (approximately HK$713 million) arising from the acquisition of the solar power plant projects at JiaYuGuan and Gonghe, the

availabilities of financial support from CM Yinke till 30 June 2014, the financing arrangement with GCL-Poly Investment and the additional project financing to be obtained of RMB3.1 billion (approximately HK$3.8 billion), and the assumptions regarding the financing arrangements for the Enlarged Group as set out above, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of the Circular. Further details regarding on the working capital of the Group/Enlarged Group has been set out in the WC Statement.

Having considered (i) the abovementioned Financing Measures and the planned financing schedule for the estimated capital expenditure, in particular the total committed capital expenditure obligation as at 31 December 2012 would be supported by the successful refinancing of the loans totaling RMB900 million (approximately HK$1,116 million) from China Development Bank (國家開發銀行) and Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), the deferral of repayment of the full outstanding balance due to Zhongli Talesun of RMB575 million (approximately HK$713 million) arising from the acquisition of the solar power plant projects at JiaYuGuan and Gonghe and the conditional financial support from CM Yinke and/or internally generated funds under the abovementioned financing plan; (ii) the past experience of the Target Group for procuring the external facilities; and (iii) the opinion of the Directors in respect of the working capital, we consider the financing risks for the solar energy projects is acceptable.

We also noted from the section headed "RISK FACTORS" in the Circular, the realisation and implementation of the framework agreements in connection with the Concession Rights will be subject to, among others, the success of entering into official or definitive acquisition agreements between the parties thereto, and the transactions under the official or definitive acquisition agreements may be required to be approved by the relevant authorities. There is no assurance that all the legally binding framework agreements can be realised and there is no certainty as to what extent such framework agreements can be implemented (the "**Potential Risks**"). The realization of the framework agreements into official and definitive agreements will be subject to future events, such as agreement by the parties on the consideration, satisfactory due diligence results, the then cash flow and capital sufficiency of the Enlarged Group, prevailing market conditions and level of competition, etc. In the event that the legally binding framework agreements cannot be realised into official or definitive acquisition agreements and the relevant approval(s) from the relevant authorities cannot be obtained on a timely basis, the implementation of business plan in relation to the Concession Rights, the business operations and financial performance of the Target Group may be adversely affected.

Also set out in such section, the growth and expansion of the total solar power generation capacity as contemplated under the framework agreements or otherwise and its anticipated development plan as referred to in "Letter from the Board — Part B — Information on the Target Group — 3. Business and Business Plan for the Target Group" in the Circular have placed, and are expected to continue to place, significant demands on its capital, management, administrative and human resources. The prospects of its solar power generation business must be considered in light of the risks and uncertainties encountered by companies competing in the rapidly evolving market. The Target Group may not be successful in completing its pipeline solar power plant projects as anticipated, or at all. The

development and construction of solar power plants involves numerous risks and uncertainties. These risks and uncertainties may prevent some projects from progressing to construction, which cause the Target Group not be able to meet the targets of its development or acquisition plan. The Target Group's ability to develop or acquire solar power plants is dependent on, among other things, the ability to identify and acquire suitable sites for development of solar power plants, the availability of sufficient external financing and transmission lines with adequate capacity, the negotiation and signing of power purchases agreements and weather conditions, all of which may be beyond the Target Group's control. In addition, the Target Group may decide not to proceed with a pipeline project that it deems unsuitable for development.

We have discussed with the Target Group and have been given to understand that the risks involved in procuring the solar power plants projects under the legally-binding framework agreements signed by the Target Group as mentioned in the section headed "RISK FACTORS" in the Circular are normal in the nature in the industry. In light that (i) all framework agreements in connection with the Concession Rights are legally-binding; (ii) the abovementioned risks and uncertainties are not abnormal in nature and may beyond the Target Group's control; and (iii) the analysis in respect of the Potential Risks as set out under below section headed "Reasons for the Acquisition", we consider the risks involved in procuring the solar power plants projects under the legally-binding framework agreements are fair and reasonable.

Further details of the structure of the Target Group and the information of the Vendors have been set out under the sections headed "Part B — INFORMATION ON THE TARGET GROUP" and the subsection headed "9. INFORMATION OF THE VENDORS" under the section headed "Part A — THE ACQUISITION" respectively in the Board Letter.

2. *Financial information of the Group*

For the year ended 31 December 2011

As set out in the annual report of the Company for the financial year ended 31 December 2011 ("**AR 2011**"), the turnover of the Group for the year ended 31 December 2011 was approximately HK$840.49 million, representing an increase of approximately 237.44% as compared to the turnover for the year ended 31 December 2010 of approximately HK$249.08 million. As advised by the Company, the increase in turnover was mainly due to the increase of sales of solar energy related products which has recorded turnover of approximately HK$765.94 million for the year ended 31 December 2011, representing an increase of approximately 553.37% as compared with the turnover from the sales of solar energy related products of approximately HK$117.23 million for the year ended 31 December 2010.

The Group recorded loss attributable to Shareholders for the year ended 31 December 2011 of approximately HK$1,148.87 million, representing an increase of approximately 7,513.45% as compared to the loss attributable to Shareholders for the year ended 31 December 2010 of approximately HK$15.09 million. As advised by the Company, the significant increase in loss was mainly because the Group has recorded an impairment charge on goodwill of approximately HK$1,132.00 million (arising from

the acquisition of the equity interest of its solar energy business in year 2010) for the year ended 31 December 2011whilst the Group did not recorded any impairment charge on goodwill for the year ended 31 December 2010.

For the year ended 31 December 2012

As set out in the annual report of the Company for the financial year ended 31 December 2012 ("**AR 2012**"), the Group reported turnover of approximately HK$223.27 million, representing a decrease of approximately 73.44% as compared to the turnover for the year ended 31 December 2011 of approximately HK$840.49 million. As advised by the Company, the drop in turnover was mainly attributable to (i) the continued weak demand from the end market; and (ii) aggressive price cut by competitors that led to average market selling price to decline and caused the Company to cut down its production of photovoltaic ("**PV**") cells.

The Group recorded loss attributable to Shareholders for the year ended 31 December 2012 of approximately HK$814.80 million, representing a decrease of approximately 29.08% as compared to the loss attributable to Shareholders in previous year of approximately HK$1,148.87 million. As advised by the Company, the decrease in loss was mainly because the Group recorded approximately HK$1,132.00 million impairment charge on goodwill for the year 2011 whilst it recorded approximately HK$612.79 million impairment charge on goodwill for the year 2012.

We noted from AR 2012, the auditors of the Company had emphasized the concern in respect of the going concern basis of the Group because the Group incurred a net loss of HK$814,801,000 during the year ended 31 December 2012 and, as of that date, the Group's current liabilities exceed its current assets by HK$249,640,000. In addition, the Group had entered into the Sale and Purchase Agreement on 22 November 2012 to acquire the Target Company. The abovementioned conditions, along with other matters as described in the AR 2012, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

3. ***Reasons for the Acquisition***

The Group is principally engaged in solar energy business with focus on solar silicon cell manufacturing. The Group manufactures mono-crystalline and multi-crystalline silicon solar cells under its own brand. The solar cells produced by the Group are components used to turn sunlight into electricity in the solar energy system and are sold to PV module manufacturers. PV modules can be used for rooftop installation for electricity generation, water pump systems and power plants. The Group also provides processing service for silicon wafer suppliers. The Group does not produce silicon wafer but receives silicon wafer from the silicon wafer suppliers to manufacture solar cells.

In 2011, the Group commenced the development of a 10.8 MW user on-grid PV power generation demonstration project. Such project has been selected as one of the projects eligible for the Golden Sun Program through which the relevant members of the Board have acquired relevant experiences in the management and operation of businesses similar to those of the Target Group.

The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC. During the past few years, the price of PV products recorded a sharp decrease caused by the slowdown of demand and the oversupply of raw materials in the market worldwide. However, the various supporting state and local policies for solar energy industry in the PRC and the declining cost and price for PV products have led to lower installation costs and a better return for solar power plant operators in the PRC. The Company is concerned about the impact of the continued deterioration of the business climate for PV products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

As set out in the Board Letter, in the solar energy industry supply chain, polysilicon is the primary raw material for silicon wafer used in solar wafer production. Wafers are further processed by downstream manufacturers to produce solar cells and solar cells are further assembled into PV modules. PV modules are used to build into a matrix of panels for converting sunlight into electric power in both ground-based solar power plants and rooftop solar power plants. The Acquisition will enable the Group to achieve a vertical integration of its solar energy business as upon Completion. The Group as enlarged by the Target Group will have the capacity to manufacture solar cells, which can be used to produce PV modules for use in, among others, constructing rooftop solar power plant in the solar power plant projects of the Enlarged Group. The Group is a supplier of solar cells to the Target Group and the Acquisition will increase the internal consumption of the solar cells produced by the Enlarged Group and will also provide the Enlarged Group with a better return on its capital for stable income from government subsidies for its solar power plant projects. The Acquisition not only provides a synergy effect to the existing solar energy business of the Group, but also enables the Group to transform from a purely solar energy materials manufacturer to a supplier of solar electricity.

Also noted from the Board Letter, in July 2012, the PRC government has promulgated China's 12th Five-Year Plan on Solar Power Development which projected a cumulative installed capacity of 21 GW and 50GW solar power plants by end of 2015 and 2020, respectively. The 12th Five-Year Plan on Solar Power Development may direct a total investment of approximately RMB250 billion in the solar power plant projects during the period of the 12th Five-Year Plan on Solar Power Development. In light of the capacity projected in the 12th Five-Year Plan on Solar Power Development, the Target Company has responded promptly and found ways to expand its capacity so as to capture the potential business opportunities by, among others, entering into certain framework agreements for the strategic cooperation with several market players in the solar energy industry for the investment, development and operation of solar power plant projects.

For the reasons above, the Directors believe that the Acquisition would enhance the future growth and profitability of the Group.

By taking into consideration of (i) the abovementioned reasons for the Acquisition; (ii) the factors set out under the paragraph headed "Basis of Consideration" in the Board Letter; (iii) possession of in-depth knowledge of the solar energy industry by the experienced management team of the Target Group; (iv) the experience of the existing management of the Group in the development of the user on-grid PV power generation demonstration project as detailed under the paragraph head "Management Experience of the Group" in the Board Letter; (v) capability of seizing market opportunities within the solar energy industry by the Target Group with the support of its existing shareholders; and (vi) favourable operating environment for the lower stream of the solar energy industry as a result of the decrease in the price of PV products involved in the development of solar energy projects and the supports given by the Chinese Government in terms of policy-driven incentives, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As noted from the previous annual reports of the Company and the AR 2012, the Group has been loss-making for the four financial years ended 31 December 2012, for the nine months ended 31 December 2008 and for the two financial years ended 31 March 2008 and as noted from AR 2012, the turnover for the solar energy business segment for the year ended 31 December 2012 amounted to approximately HK$213.27 million, representing a decrease in turnover of approximately 72.27% as compared to the corresponding period in previous year of approximately HK$768.96 million. The loss attributable to Shareholders in respect of the solar energy business segment for the year ended 31 December 2012 is approximately HK$736.86 million, represented a decrease in loss of approximately 29.23% as compared to the corresponding period in previous year of approximately HK$1,041.21 million. As advised by the Company, such loss was mainly due to the provision for an impairment of goodwill of approximately HK$1,132.00 million (arising from the acquisition of the equity interest of its solar energy business in year 2010). As set out in AR 2012, during the past few years, the price of PV products recorded a decrease caused by the slowdown of demand due to the economic downturn in the United States of America, the European debt crisis and the oversupply of raw materials in the market worldwide. However, the implementation of supporting policies within the solar energy industry from state and local government in the PRC plus the declining cost and price for PV products have led to lower installation costs and a better return for solar power plant operators in the PRC. The Group is concerned about the impact of the continued deterioration of the business climatic for making PV cell products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

We noted from the website of National Energy Administration (*www.nea.gov.cn*), the total electricity consumption of the first, second and tertiary industries in PRC (the "Total Electricity Consumption") for the year 2011 was amounted to approximately 4,692.80 billion KWh, representing an increase of approximately 11.94% as compared with the Total Electricity Consumption for the year 2010 of approximately 4,192.30 billion KWh. The Total

Electricity Consumption for the year 2012 was amounted to approximately 4,959.10 billion KWh, representing an increase of approximately 5.67% as compared with the Total Electricity Consumption for the year 2011 of approximately 4,692.80 billion KWh.

We noted from "太陽能光伏產業"十二五"發展規劃" (unofficially translated as "Twelfth Five-Year Plan for the Solar Power Development") issued by National Energy Administration on 28 February 2012 and ""十二五" 國家戰略性新興產業發展規劃" (unofficially translated as "Twelfth Five-Year Plan — National Strategic Development Plan for the Emerging Industries") (the "**TFY Development Plan**") issued by The Central People's Government of the PRC on 20 July 2012, the development and application of the solar PV power generation is one of the major targets in the 12th Five-Year Plan of the PRC and the solar PV industry has been positioned as one of the strategic emerging industries with priority on its technology development in the 12th Five-Year Plan of the PRC. Also, according to the TFY Development Plan, it is projected the cumulative installed capacity of solar power plants will be able to reach 21GW and 50GW by end of 2015 and 2020 respectively.

We have reviewed the National Survey Report of PV Power Applications in China 2011 dated 15 August 2012 (the "**Report**") which has been uploaded on the website of International Energy Agency Photovoltaic Power Systems Program (*www.iea-pvps.org*). International Energy Agency Photovoltaic Power Systems Program is one of the collaborative research and development agreements established within The International Energy Agency which, founded in November 1974, is an autonomous body within the framework of the Organisation for Economic Co-operation and Development which carries out a comprehensive programme of energy co-operation among its member countries. As noted from the Report, in March 2009, China Ministry of Finance (MoF) issued "The notification of the Ministry of Finance on Printing and Distributing the Interim Measures of the solar PV building applications fiscal subsidy funds", which stated that the central government will allocate certain amount capital from Renewable Energy Special Fund to support the demonstration and popularize the PV application in urban and rural building construction and in July 2009, China Ministry of Finance (MoF), Ministry of Science and Technology (MoST), and National Energy Administration (NEA) jointly announced the "Notice on the Implementation of the Golden Sun Demonstration Project", which stated that the central government will allocate certain amount capital from Renewable Energy Special Fund to support the PV applications in variety of areas, and also support the industrialization of key solar technology. In addition, according to the Report, the domestic PV system market in 2011 showed a significant increase compared to 2010. In 2011, off-grid and grid connected PV systems with a total PV power of 2,500MWp have been installed, which represents a 400% growth of the domestic market compared to the year 2010. The cumulated total installed PV reaches 3,300MWp by the end of 2011.

We also noted from the Board Letter that the ultimate shareholders/business partners of the Target Company include China Merchants Group Limited, GCL-Poly and Zhongli. China Merchants Group Limited is an "A-level state-owned enterprise" engages in various major business sectors in the PRC through its subsidiaries, such as transportation and related infrastructure, financial investment and asset management, as well as property development and management. GCL-Poly is one of the world's leading producers of PV products. Zhongli, the A-shares of which are listed on the Shenzhen Stock Exchange, is another active player in the solar energy industry in the PRC. As the leading players in the solar power industry, the ultimate shareholders/business partners of the Target Company have extensive solar knowledge with requisite resources to keep abreast the market demand and trend in the solar energy industry, as well as requisite resources, both financial and expertise to capture opportunities in the solar power industry. The relationships with these ultimate shareholders/ business partners will better position the Target Company as a strong player in the development, operation and management of solar power plants in the solar energy industry by taking advantage of the expertise and resources available from its ultimate shareholders/ business partners. Most of the solar power plant projects which may be acquired by the Target Group are currently owned or to be developed by such ultimate shareholders/business partners of the Target Group. To assist the Target Group to become a industry leader in the design, development, investment, operation and management of solar power plants in the solar energy industry and to restructure their solar power business to better capture the opportunities arising from the various national incentive policies, the ultimate shareholders/ business partners of the Target Group are willing and able to transfer the Concession Rights in relation to their respective solar power plant projects to the Target Group, subject to further negotiation and finalisation of definitive agreements. In addition, the solar energy industry requires intensive capital investment. Ground-based solar power plant projects involves foundation works typically give rise to high construction costs. As such, new entrants need to secure a significant amount of capital to enter the industry. The strong background of the ultimate shareholders/business partner of the Target Group allows the Target Group to secure necessary financial support for the development and acquisition of solar power plant projects in a timely manner. On 14 March 2013, CM Yinke has issued a letter of conditional financial support to the Target Group to enable it to meet its future capital commitment funding needs until 30 June 2014. Further details of the information of the Vendors have been set out in section head "Part A — 9. INFORMATION OF THE VENDORS" in the Board Letter.

We have discussed with the Target Group in respect of the recent development of the solar power plant projects, and we were given understand that

(i) in respect of 20MW Project Baoshui, as at the Latest Practicable Date, commercial operation for approximately 2MW installations have commenced and the electricity generated are sold to users in Shenzhen Qianhai District since November 2012;

(ii) the Target Group has acquired 100MW Project Jiayuguan (A) and 20MW Project Gonghe in December 2012 from Zhongli Talesun and it is expected that the projects will satisfy the on-grid connection requirements of the government by end of 2013, and subject to the inspection of the project after its completion and the

completion of the other procedures required by the PRC Laws and the relevant competent authorities, the solar power plants will commence operation and generate income by end of 2013;

(iii) the Target Group has signed the definitive agreement to acquire 51% equity interest in Xuzhou Xinneng in December 2012 and it will acquire the remaining 49% equity interest in Xuzhou Xinneng by end of 2013. Upon acquisition of the entire equity interest in Xuzhou Xinneng and subject to government administrative and approval procedure, Xuzhou Xinneng will hold the right to develop and operate the 10MW Project Xiexin Guicailiao;

(iv) the Target Group has signed the definitive agreement to acquire 90% equity interest in Xuzhou GCL in December 2012 and it will acquire the remaining 10% equity interest in Xuzhou GCL by end of 2013. Upon acquisition of the entire equity interest in Xuzhou GCL and subject to government administrative and approval procedure, Xuzhou GCL will hold the right to develop and operate the 2MW Project Zhongneng;

(v) among the 20 rooftop solar power plant projects, 11 rooftop solar power plants projects have obtained approval from Golden Sun Program and it is expected that the operation will be commenced by end of 2013 and 1 rooftop solar power plant project, namely Project Wuliu, 5MW of such project has been approved under Golden Sun Program and it is expected the operation of 5MW will be commenced by end of 2013; and

(vi) among 22 ground-based solar power plant projects, 6 of the ground-based solar power plant projects are expected to commence operation by end of 2013, 8 of the ground-based solar power plant projects are expected to commence operation by end of 2014 and 8 of the ground-based solar power plant projects are expected to commence operation by end of 2015.

Details of the information and status of the projects and required approvals and documents have been set out in table A, table B, table C and table D under the section headed "Part B — 3. BUSINESS AND BUSINESS PLAN FOR THE TARGET GROUP" in the Board Letter.

We are aware of the Potential Risks and the significant amount of the Consideration to be settled by the Company, however, taking into consideration of:

(i) the ongoing development and progress of the projects with one project has already started operation and generate electricity, two projects have been acquired in December 2012, two projects have entered into definitive agreements in December 2012, and approximately 40.48% of the projects are expected to commence operation by end of 2013;

(ii) the Profit Guarantee would secure the continuing commitment and align the interests of the Vendors with the Group given the abovementioned strong and reputable background of the Vendors and their respective shareholders;

(iii) the Consideration will be settled by way of issuance of the Consideration Shares and the Convertible Bonds which would also align the interests of the Vendors with the Group because the economic benefits of the Consideration Shares and the Convertible Bonds rely on the increase in Share price to be driven by improving fundamentals of the Company;

(iv) as evidenced by the acquisition of 100MW Project Jiayuguan (A) and 20MW Project Gonghe in December 2012 from Zhongli Talesun and the entering of the two definitive agreements in December 2012 with GCL Poly Group for the 10MW Project Xiexin Guicailiao and 2MW Project Zhongneng, the ongoing support from the major business partners who have entered framework agreement/cooperative agreements with the Target Company for the projects; and

(v) the Asset Discount Rates which have been adopted for the Valuation, of which the Consideration has made reference with, have taken into consideration for the project specific risk, being the construction risks and others due to the stage of development of a specific project. The project specific risk premiums of 0.5%, 1% and 2%, have been assigned to 2012–13 Projects, 2014 Projects and 2015 Projects respectively with higher rate of project specific risk apply to projects which are very preliminary and only letters of intent with local government were entered into. As discussed with the Independent Valuer, the overall Asset Discount Rates have been cross-checked to the market research and actual transactions,

we considered the Potential Risks are acceptable notwithstanding the substantial Consideration. In light of the above and together with the view as follows:

(i) the Acquisition allows the Group to achieve a vertical integration of its solar energy business which would broaden the revenue base of the Group given the loss-making track record of the Company;

(ii) the prospect of the solar PV industry in PRC given the increasing of Total Electricity Consumption in PRC and the solar PV industry is one of the emerging industries advocated by the PRC government in the 12th Five-Year Plan and the supportive subsidy programs such as the Golden Sun Program carried out by the PRC government;

(iii) the Target Group has entered into a series of legally binding framework agreements for investment, development and operation of both ground-based and rooftop solar power plant projects with total capacity of the solar power plant projects which are owned or maybe acquired by it in the PRC of approximately 2.16GW and 5GW by the financial year ending 31 December 2015 and 31 December 2017 respectively;

(iv) the potential synergies to be brought by the strategic business relationship with the Vendors in particular the transactions under the Continuing Connected Transactions which would provide a steady supply of raw materials and a stable

demand and income stream to the Group given that sales of solar energy business for the year ended 31 December 2012 has been diminished as compared with the sales in 2011;

(v) the abovementioned positive impact on the future growth of the Group as lead by the 12th Five-Year Plan of the PRC, the vertical integration of the solar energy business of the Group and the potential synergies to be brought by the strategic business relationship with the Vendors may also have a positive impact on the profitability of the Group given the loss-making track record of the Group; and

(vi) the Acquisition is aligned with the business strategy of the Company,

we concur with the view of the Directors that the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

4. ***Consideration for the Acquisition***

(a) *Consideration*

The Consideration for the Sale Shares is HK$2,119,910,000 (subject to adjustment), which will be satisfied by the issue of Consideration Shares and the Convertible Bonds and shall be payable to the Vendors or their nominees (if applicable) proportionately with reference to their respective interest in the Sale Shares. In determining the portion of Consideration Shares and Convertible Bonds to be issued to each of the Vendors, the Parties have considered the respective preference of the Vendors on the settlement method of the Consideration. Further details of the portion of Consideration Shares and Convertible Bonds to be issued to each of the Vendors has been set out under the subsection headed "Consideration" under the section headed "Part A — 1. SALE AND PURCHASE AGREEMENT" in the Board Letter.

As set out in the Board Letter, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms. In determining the Consideration and forming the view on the fairness and reasonableness of the Consideration, the Board has taking into consideration the following major factors:

(i) the preliminary assessment by the Independent Valuer of the fair value of the Concession Rights at approximately HK$2,600,000,000;

(ii) the new solar module manufacturing capability to be brought about by the Target Group which may be consumed internally for the construction of solar power plants by the Enlarged Group, further details of which are set out in the paragraph headed "1. HISTORY OF THE TARGET GROUP" in Part B of the Board Letter;

(iii) the Profit Guarantee which provides the mechanism for adjustment to the Consideration in the event that the Target Group fails to perform as anticipated;

(iv) the continuous support of the management and the existing shareholders of the Target Company to the solar power plant projects to be acquired by the Target Group by leveraging on their experience, expertise, resources and business network given that the existing shareholders of the Target Company are key market players in the PRC solar power industry, details of which are set out in the paragraph headed "2. COMPETITIVE STRENGTHS OF THE TARGET GROUP" in Part B of the Board Letter;

(v) the underlying solar power plant projects of the Concession Rights, details of which are set out in the paragraph headed "3. BUSINESS AND BUSINESS PLAN FOR THE TARGET GROUP" in Part B of the Board Letter which form the basis of the future growth of the Target Group; and

(vi) other potential benefits to be brought about to the Group by the Acquisition such as the vertical integration of the Group's solar energy business upon Completion as mentioned in the paragraph headed "4. REASONS FOR THE PROPOSED ACQUISITION" in Part A of the Board Letter.

We have interviewed with the Independent Valuer and were given to understand that the Independent Valuer has no prior relationship with the Company, the connected persons of the Company and other parties to the Sale and Purchase Agreement. We have reviewed the engagement letter of the Independent Valuer and have assessed the experience and the qualification of the Independent Valuer set out in Appendix V in the Circular. In view of the independence, qualification and experience of the Independent Valuer, we consider the engagement of Independent Valuer is proper.

We observed from the Valuation Report that the Valuation has been carried out on the basis of fair value under the discounted cashflow method. As set out in the Valuation Report, the discounted cash flow method explicitly recognizes 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 to finance a going concern business with indefinite life, as the capital structure of a 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. Further details of the application of the APV method on the Valuation has been set out under the section headed "INCOME APPROACH" in Valuation Report on the Concession Rights in the Appendix V to the Circular. It is also stated in the Valuation Report that due to the changing environments in which the Target Company and the Proposed Projects are operating, a number of assumptions have to be made in arriving at the value conclusion. Details of the principal assumptions have been set out under

the sections headed "SCOPE OF WORK AND KEY ASSUMPTIONS" and "INCOME APPROACH" in the Valuation Report on the Concession Rights in the Appendix V to the Circular.

We noted from the Valuation Report, the Valuation is prepared based on the prospective financial information, underlying assumptions and information provided by the management of the Target Company and the Company. We also noted from the Board Letter, members of the Board attended several meetings and held discussions with the management of the Target Company, the Independent Valuer and the Financial Adviser in respect of, among other matters, the historical performance and prospects of the Target Group, the valuation methodology and assumptions adopted for the Valuation, and the related accounting policies and calculations, and as stated in the Board Letter, the Board confirmed that the profit forecast to be included in the Valuation Report has been made after its due and careful enquiry.

We noted from the report from PricewaterhouseCoopers set out in Appendix VI of the Circular that the reporting accountant of the Company has stated that the discounted future estimated cash flows in respect of the valuation of the Concession Rights, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the basis and assumptions made by the Directors as set out in the Circular. We also noted from the report from Fortune Financial Capital Limited in Appendix VI of the Circular that on the basis as mentioned on its report and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Independent Valuer, for which the Independent Valuer and the Company are responsible, Fortune Financial Capital Limited is satisfied that the forecasts included in the Valuation Report and disclosed in the Circular, for which the Directors are responsible, have been made in the Circular after due and careful enquiry by the Directors.

We are aware the existence of the Potential Risk, however, upon reviewing the Valuation Report and discussing with the Independent Valuer in respect of fairness of the principal assumptions adopted in arriving the Valuation as well as taking into account (i) the independence, qualification and experience of the Independent Valuer; (ii) the abovementioned opinions from PricewaterhouseCoopers and Fortune Financial Capital Limited as set out in Appendix VI of the Circular; (iii) the changing capital structure of the projects throughout the operation period and the view and opinion of the Independent Valuer who has considered the APV method under the income approach in arriving the Valuation is the most appropriate approach for assessing the fair value of the Concession Rights; (iv) the confirmation from the Board in the Board Letter that the profit forecast included in the Valuation Report has been made after its due and careful enquiry; and (v) pursuant to Rule 13.80(2) under the Listing Rules, there is no reason for us to believe any of the information in the Valuation Report is not true or omits a material fact, we are of the view that one of the major assumptions regarding on the business plans of the projects in relation to the Concession Rights will be proceeded and completed as contemplated is valid and reasonably made by the Independent Valuer and the Valuation has been reasonably prepared and are normal in nature without any unusual assumption and the basis of the Valuation is fair and

reasonable. As such, we consider the Valuation is a good reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration. Independent Shareholders are advised to refer to the Valuation Report contained in Appendix V of the Circular for details of the basis and assumptions of the Valuation.

Notwithstanding the abovementioned, it is also a fair expectation that the assumptions used in the Valuation may not perfectly match with the actual economic and solar power industry environment in future and hence, it is reasonable to expect that the forecasted free net cashflow under the Valuation will not be exactly the same as the actual free net cashflow to be generated in future regarding on the Concession Rights. As such, we would also like to draw Independent Shareholders' attention to some worst scenarios including (i) the potential risks that the future valuation on the Concession Rights maybe lower if subsequent events adversely change the basis on which the views taken by the Independent Valuer on the economy of PRC and the solar energy industry in the PRC. Similarly, the value would decline if the assumptions on which the Independent Valuer based for the Valuation are flawed; and (ii) should there be any significant adverse changes in the projected performance associated with the Concession Rights, it may be necessary to take an impairment charge to the consolidated income statement of the Enlarged Group and this may have a material adverse effect on the results of operations of the Enlarged Group after Completion. Further details of the abovementioned risk factors have been set out in the section headed "RISK FACTORS" in the Circular.

In order to further assess the fairness and reasonableness of the Consideration, we have considered price-to-book and price-to-earnings (the "**PER**") approaches. However, in view that the Target Company has obtained the Concession Rights related to the solar power plants projects instead of the underlying assets, we considered the price-to-book ratio is not applicable.

Based on the Profit Guarantee of not less than HK$495,000,000 for the Profit Guarantee Period, the average profit guarantee will be not less than (i) HK$247,500,000 per year ("**Profit Guarantee A**") in the event that the Profit Guarantee will be achieved by end of 2014 (i.e. 2 years); and (ii) HK$165,000,00 per year ("**Profit Guarantee B**") in the event that the Profit Guarantee will be achieved by end of 2015 (i.e. 3 years). Accordingly, the PER based on the Consideration (which is equivalent to approximately HK$2,300,000,000 (the "**Derived Consideration**") for 100% equity interest) are approximately 9.29 times (the "**Acquisition PER A**") and approximately 13.94 times (the "**Acquisition PER B**") for the Profit Guarantee A and the Profit Guarantee B respectively. In view that there are possibilities to achieve the guarantee profit of HK$459,000,000 by end of 2014 or by end of 2015 or anytime in between end of 2014 to end of 2015 and the PER is depend on the time required for achieving the Profit Guarantee, we consider it is fair and reasonable to use the range of Acquisition PER A and Acquisition PER B as the upper and lower bound of the PER (the "**PER Range**") for assessing the PER implied by the Profit Guarantee and using the mean of such upper and lower bound of the PER, being approximately 11.62 times (the "**Acquisition PER**"), for assessing the fairness and reasonableness of the Consideration. We have identified comparable companies being listed companies on the

Main Board or the Growth Enterprise Market of the Stock Exchange engaging in businesses similar to those of the Target Group. To the best of our knowledge, there is no listed company in Hong Kong with solar power generation in PRC as sole business and only 4 listed companies are involved in downstream solar energy business. As such, in view that the Target Group also engaged in other solar energy related business other than the downstream of the solar energy business and in order to have a larger sample size for comparison purpose, we have identified listed companies in Hong Kong which engaging in PV power generation, solar energy related business as well as power generation by renewable energy (the "**Industry Comparables**"). To the best of our knowledge, 16 Industry Comparables (including the Company) have been identified by searching through published information on the Stock Exchange's website. The PERs of the Industry Comparables are based on their respective market capitalizations as at 22 November 2012, being the date of the Sale and Purchase Agreement, and the profit (before interests, tax, depreciation and amortization) as set out in their latest annual or interim reports published before the date of the Sale and Purchase Agreement. As the Industry Comparables are engaged in similar business of the Target Group and their respective PERs are determined with reference to the date of the Sale and Purchase Agreement, we consider the Industry Comparables are fair and representative samples.

Industry Comparables (Stock code)	**Principal business**	**PER (times)** *(Note 1)*	**Solar-related revenue proportion (%)** *(Note 2)*
China Solar Energy Holdings Limited (155)	Development, manufacturing, marketing and sale of PV solar business & related training and consulting services, provision of investment advisory services, participation in primary and secondary securities market and money lending	Not available because of loss making before interests, tax, depreciation and amortization	100.00
China Gogreen Assets Investment Limited (397)	Development, production and sale of silicon based thin-film solar PV modules; and assets investment	Not available because of loss making before interests, tax, depreciation and amortization	97.39
Apollo Solar Energy Technology Holdings Limited (566)	Manufacture of equipment and turnkey production lines for the manufacture of amorphous silicon based thin-film solar PV modules	2.97	100.00
Goldpoly New Energy Holdings Limited (686)	Retail business and manufacturing of fashion apparel, sale and provision of subcontracting services of solar energy related products	Not available because of loss making before interests, tax, depreciation and amortization	91.49

Industry Comparables (Stock code)	**Principal business**	**PER (times)** *(Note 1)*	**Solar-related revenue proportion (%)** *(Note 2)*
Comtec Solar Systems Group Limited (712)	Design, development, manufacture and marketing of solar wafers and ingots, with a focus on high quality monocrystalline solar wafers	12.67 *(Note 3)*	96.92
China Singyes Solar Technologies Holdings Limited (750)	Design, manufacturing, supply and installation of conventional curtain walls and building integrated PV BIPV system; manufacture and sale of solar power products	6.42 *(Note 3)*	100.00
Solargiga Energy Holdings Limited (757)	Manufacturing, trading and provision of processing services for polysilicon, monocrystalline and multicrystalline silicon solar ingots/wafers; producing, trading and installation the PV systems of PV modules	2.65 *(Note 3)*	100.00
China Resources Power Holdings Company Limited (836)	Invest, develop, operate and manage power plants and coal mine projects in the more affluent regions or regions with abundant coal resources in China	5.18	Not available because revenue generated from solar-related business segment has not been mentioned
Huaneng Power International, Inc. (902)	Generation and sale of electric power to the respective regional or provincial grid companies in the PRC	0.86 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
China Longyuan Power Group Corporation Limited (916)	Sales of wind and coal power generation, trading of coal and other related business	1.29 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
China Suntien Green Energy Corporation Limited (956)	Transmission and sale of piped natural gas, liquefied and compressed natural gas as well as investment, construction and operation of wind farms and sale of electricity to grid companies	1.27 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned

Industry Comparables (Stock code)	**Principal business**	**PER (times)** *(Note 1)*	**Solar-related revenue proportion (%)** *(Note 2)*
Datang International Power Generation Co., Ltd. (991)	Power generation and power plant development in the PRC, coal trading, chemical products manufacturing and selling	0.37 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
Huadian Power International Corporation Limited (1071)	Generation and sale of electricity and heat. All electricity generated is supplied to the provincial grid companies where the plants are located	0.25 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
China Datang Corporation Renewable Power Co., Limited (1798)	Development and management of wind power and other renewable energy sources; research of low carbon technology; maintenance of renewable energy-related equipment; power generation; repair & maintenance of power projects, training & consulting	0.44 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
China Power International Development Limited (2380)	Develop, construct, own, operate and manage large power plants in China, and engage in investment holdings	2.25 *(Note 3)*	Not available because revenue generated from solar-related business segment has not been mentioned
GCL-Poly Energy Holdings Limited (3800)	Manufacturing of polysilicon and wafers for the solar industry, the development, management and operation of environmentally friendly power plants as well as operation of solar system integration business	1.81	80.44
Maximum		**12.67**	
Minimum		**0.25**	
Mean		**2.99**	
Acquisition PER		**11.62**	

Source: www.hkex.com.hk

Notes:

1. The PERs of the Industry Comparables are calculated by dividing their respective market capitalizations as at 22 November 2012, being the date of the Sale and Purchase Agreement, by their respective profit (before interests, tax, depreciation and amortization) as set out in their latest annual or interim reports published before the date of the Sale and Purchase Agreement.

2. Solar-related revenue proportion is calculated by the revenue generated from the solar-related business segment divided by the total revenue generated from the continuing operation of the Industry Comparables.

3. For calculation purposes, the profit, tax, interest, depreciation and amortization recorded in RMB have been converted into HK$ under the exchange rate of HK$1.243 to RMB1.0.

As indicated in the above table, the Acquisition PER, being 11.62 times, falls within the range of the PERs of the Industry Comparables from approximately 0.25 times to approximately 12.67 times.

We noted from the Company's announcement dated 14 May 2012, the Company has acquired 9% of the then issued share capital of the Target Company at a consideration of HK$21.60 million. As set out in the Board Letter, the substantial increase in the preliminary fair value of the Concession Rights (which include the development rights of certain rooftop solar power plant projects as stated in the valuation mentioned in the aforesaid announcement of the Company) was mainly due to, among others, the additional development and operation rights in relation to certain ground-based and rooftop solar power plant projects, amounting to a capacity of approximately 2GW, which are owned or may be acquired by the Target Group in or prior to the year 2015 as contemplated under certain agreements (including framework agreements) entered into by the Target Group over the period subsequent to the previous date of valuation, i.e. 31 December 2011.

In view of the wide range of the Industry Comparables, we considered the Industry Comparables may not be sufficient to be a good indicator to the fairness of the Consideration. As such, save for taking into consideration that the Acquisition PER within the range of the PERs of the Industry Comparables notwithstanding there is only one of the Industry Comparables is higher than the Acquisition PER, we have also taken into consideration that (i) in the event that the Profit Guarantee would be achieved within the two financial years from 1 January 2013 up to 31 December 2014, the PER of the Acquisition will be lower; (ii) the Acquisition PER is the mean of the PER Range which is based on the minimum profit requirement under the Profit Guarantee and hence, the PER Range and its mean would be lower if the profit is higher than the minimum profit guarantee; (iii) the Derived Consideration represented a discount of approximately 13.53% to the Valuation as at 31 December 2012; (iv) the Valuation only taken into account the Concession Rights up to approximately 2.16GW whilst pursuant to the cooperation agreements entered into as at the Latest Practicable Date, it is anticipated that the total capacity of the solar power plant projects which are owned or maybe acquired by the Target Group in the PRC will be approximately 2.16GW and 5GW by the financial years ending 31 December 2015 and 31 December 2017 respectively; (v) the Profit Guarantee given to the Company by the Vendors; and (vi) the benefits of the Acquisition to the Company as mentioned under the above section headed "3. Reasons for the Acquisition", for assessing the reasonableness and fairness of the Consideration and based on the abovementioned, we consider the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(b) *Profit Guarantee*

As set out in the Board Letter, pursuant to the Sale and Purchase Agreement, each of the Vendors has guaranteed to the Purchaser and the Company that the Profit for the Profit Guarantee Period, i.e. the three financial years from 1 January 2013 up to 31 December 2015, will be not less than HK$495,000,000. However, in the event that the Profit is not less than HK$495,000,000 in the two financial years from 1 January 2013 up to 31 December 2014, the Board shall be entitled to (but shall not be obliged to) shorten the Profit Guarantee Period to the two financial years from 1 January 2013 up to 31 December 2014.

The Profit shall be the aggregated profit (before interests, tax, depreciation and amortization) as shown in the audited accounts of the Target Group for the Profit Guarantee Period as audited by the auditors (which is one of the Big Four audit firms, namely, Deloitte Touche Tohmatsu, Ernst & Young, KPMG and PricewaterhouseCoopers) appointed by the Company, adopting the accounting principles and practices generally accepted in Hong Kong. It is agreed that the costs and expenses incurred by the Target Group in relation to the EIS shall be added back to the profit as shown in the audited accounts of the Target Group for the purpose of determining the profit.

If the Target Group fails to achieve the Profit Guarantee, the Consideration shall be adjusted downward by the formula set out below. Apart from the adjustment to the Consideration as set out below, no option or any other right has been granted to the Company to sell the Sale Shares back to any of the Vendors after Completion in case the Profit Guarantee has not been achieved. Upon Completion, the Series B Convertible Bonds in the total principal amount of HK$847,964,000, which represents 40% of the Consideration, shall be held under escrow in accordance with the terms of the Sale and Purchase Agreement for the purpose of effectuating the potential downward adjustment of the Consideration. The adjustment formula is as follows:

AC = OC x AP/PG (the "**Adjustment**")

"AC" refers to the total principal amount of the Series B Convertible Bonds issued to the Vendors or their nominees, or with respect to a Vendor or its nominee, the principal amount of the relevant Series B Convertible Bonds to be released to such Vendor or its nominee, in each case, after the adjustment (if any) made in accordance with the formula as set out above pursuant to the terms of the Sale and Purchase Agreement.

"OC" refers to the original principal amount of the Series B Convertible Bonds issued to the Vendors or their nominees, or with respect to a Vendor or its nominee, the original principal amount of the relevant Series B Convertible Bonds issued to such Vendor or its nominee, in each case, before any adjustment made in accordance with the formula as set out above pursuant to the terms of the Sale and Purchase Agreement.

"AP" refers to the Profit. In the event that AP is more than the Profit Guarantee, AP shall be equivalent to the Profit Guarantee. It is agreed by the Parties that if loss is recorded for the Profit Guarantee Period, AP shall be zero.

"PG" refers to the Profit Guarantee during the Profit Guarantee Period.

The Target Group reported a loss for the year ended 31 December 2011 as its revenue derived from sale of solar modules, which is one of the existing principal businesses of the Target Group, was set off by the increased cost of sales and deteriorating market conditions. Subsequent to the year ended 31 December 2011, the Target Group entered into certain agreements (including framework agreements) in relation to the Concession Rights, further details of which are set out in the Board Letter. As set out in the Board Letter, by taking into account that (i) the transactions contemplated under the aforesaid agreements (including framework agreements) represent a promising potential business growth of the Target Group; (ii) by implementing the projects with the Concession Rights together with the integration and synergy effect to be brought about by the Enlarged Group, the Target Group will be able to shift its business focus to investment, development and operation of solar power plants which is expected to achieve profitability in the long run; (iii) with the standardised building process for solar power plants, the Target Group may reduce lead time for commencement of operation of such solar power plants and thus, reduce the relevant cost of sales; (iv) the first rooftop solar power plant of the Target Group pursuant to the agreement entered into between CTNE and CMBL dated 30 December 2011 has commenced commercial operation by November 2012; and (v) favourable governmental policies including grant of national FiT and government subsidies have been implemented in respect of the solar energy industry in the PRC, the Board expects that the business of the Target Group will generate stable income and make future profit contribution to the Group upon Completion.

As noted from the Board Letter, the agreed adjustment mechanism and the Profit Guarantee were the commercially agreed terms arrived at after arm's length negotiations among the Company, the Purchaser and each of the Vendors by taking into account of, among others (i) the change in focus of the business of the Enlarged Group; (ii) the future profitability of the Target Group as mentioned in the Board Letter; (iii) the financial position of the Group; (iv) the need to secure continuing commitment of the Vendors by aligning their commercial interests with those of the Enlarged Group and their respective preferences on the settlement method of the Consideration; and (v) the potential benefits to be brought about to the Group by the Acquisition.

Also noted from the Board Letter that the Board has reasonable grounds to believe that the Profit Guarantee is achievable after taken into consideration (i) the basis for determination of the Profit Guarantee as mentioned above; (ii) the projected earnings of the Target Group as further detailed under the paragraph headed "INCOME APPROACH" in the Valuation Report; and (iii) the business plan provided by the Target Group as further detailed under the paragraph headed "Part B — 3. BUSINESS AND BUSINESS PLAN FOR THE TARGET GROUP" in the Board Letter.

We have been advised that according to the supplemental agreement dated 14 March 2013 to the equity interest transfer agreement dated 22 December 2012 entered into by CMSZ, Zhongli Talesun and Jiangsu Zhongli for acquiring 100% equity interest

in Zhongli Changzhou which holds 100% equity interest in Zhongli Jiayuguan and Zhongli Gonghe, which in turn own the rights of preparation, investment, construction and operation in respect of two of the solar power plant projects (i.e. the Project Jiayuguan (A) and the Project Gonghe), the transferors, being Zhongli Talesun and Jiangsu Zhongli (the "**Transferors**"), undertake to CMSZ that the solar power plants of Zhongli Jiayuguan and Zhongli Gonghe shall be fully and officially connected to the State Grid from 1 January 2013 onwards and the Transferors has provided guarantee on the demand for the grid electricity power for 10 years commencing from 2013 (the "**Undertaking**"). The number of aggregate grid hours of each of these two plants should be 1,800 hours per annum which in turn will result in grid electricity power generation of 180,000,000KWh for solar power plant of Zhongli Jiayuguan and 36,000,000KWh for solar power plant of Zhongli Gonghe for 2013. In the event that Zhongli Jiayuguan and Zhongli Gonghe are able to obtain VAT tax reduction benefits from its operations (the "**Scenario B**", for the above scenario without obtain VAT tax reduction benefits, the "**Scenario A**"), the guaranteed on grid hours will be reduced to 1,700 hours per annum which will result in grid electricity power generation of 170,000,000KWh for solar power plant of Zhongli Jiayuguan and 34,000,000KWh for solar power plant of Zhongli Gonghe for the year 2013. The guaranteed on grid electricity power generation given by the Transferors from 2014 to 2022 ranged (i) from 176,400,000KWh to 110,060,000KWh under Scenario A and from 166,600,000KWh to 141,740,000KWh under Scenario B for the solar power plant project of Zhongli Jiayuguan; and (ii) from 35,280,000KWh to 22,010,000KWh under Scenario A and from 33,320,000KWh to 28,350,000KWh under Scenario B for the solar power plant project of Zhongli Gonghe. If the grid electricity power generation for a year is lower than the guaranteed on grid electricity power generation as mentioned above, the Transferors shall pay the electricity tariffs corresponding to the shortfall of the on grid electricity power generation in that year to Zhongli Jiayuguan and Zhongli Gonghe. We were further advised by the Target Group, although the abovementioned two solar power plants had not been connected to the State Grid as at the Latest Practicable Date, the Undertaking has been effective commencing from 1 January 2013. Details of the guaranteed on-grid electricity power generation for the first three years, 2013 to 2015, has been set out below:

Solar power plant of Zhongli Jiayuguan:

	Scenario A (KWh)	**Scenario B (KWh)**
2013	180,000,000	170,000,000
2014	176,400,000	166,600,000
2015	171,530,000	163,270,000

Solar power plant of Zhongli Gonghe:

	Scenario A (KWh)	Scenario B (KWh)
2013	36,000,000	34,000,000
2014	35,280,000	33,320,000
2015	34,310,000	32,650,000

As advised by the Target Group, based on the on-grid electricity tariff information as set out in the website of National Development and Reform Commission (http://www.ndrc.gov.cn), most of the solar projects have adopted the tariff pricing of RMB1.0 per KWh and under such basis, the electricity tariffs from the solar power plants of Zhongli Jiayuguan and Zhongli Gonghe for the years 2013, 2014 and 2015 are estimated to be RMB204,000,000 to RMB216,000,000, RMB199,920,000 to RMB211,680,000 and RMB195,920,000 to RMB205,840,000 respectively.

We noted that the maximum Adjustment under Profit Guaranteed is approximately 40% of the Consideration and the Profit Guarantee of HK$495,000,000 (being the maximum shortfall) is approximately 23.35% of the Consideration. The compensation for the shortfall under the Adjustment is more favourable than compensation under dollar to dollar basis adjustment corresponding to the shortfall. We have reviewed acquisition transactions in the market and noted that it is not uncommon to have compensation for the shortfall on profit guarantee under dollar to dollar basis, in the other words, the compensation amount is equivalent to the shortfall amount (the maximum compensation is equivalent to the profit guarantee) and it is not uncommon in the market to have the profit guarantee equal or less than 40% of the total consideration in a transaction. In view of the abovementioned and (i) the Adjustment under the Profit Guarantee is more favourable than dollar to dollar basis; (ii) the Profit Guarantee would safeguard the Company and provide adjustment to the Consideration even if the Profit cannot be achieved; (iii) the Profit Guarantee would secure the continuing commitment and align the interests of the Vendors with the Group; (iv) the Adjustment is based on the ratio of the Profit to the Profit Guarantee; (v) the Undertaking given by Zhongli Talesun and Jiangsu Zhongli and the estimated electricity tariffs arised therefrom; and (vi) the anticipated total capacity of the solar power plant projects which are owned or maybe acquired by the Target Group in the PRC of approximately 2.16GW by the financial years ending 31 December 2015, we consider it is not impossible to achieve the Profit Guarantee and the Profit Guarantee including the Adjustment is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(c) *Consideration Shares*

Pursuant to the Sale and Purchase Agreement, upon Completion, the Company will allot and issue, credited as fully paid, an aggregate of 959,462,250 Consideration Shares at the Issue Price of HK$1.00 per Consideration Share to the Vendors (or their nominees) as settlement of approximately 45.26% of the total Consideration.

As noted from the Board Letter, each of the Vendors (other than CMNEG) irrevocably and unconditionally undertakes to the Purchaser and the Company that it shall not sell or transfer or otherwise dispose of, or create any encumbrances on, whether directly or indirectly any part of their respective Consideration Shares during the period of twelve months after the Completion Date (the "**12-month Lock-Up**"). CMNEG irrevocably and unconditionally undertakes to the Purchaser and the Company that it shall not sell or transfer or otherwise dispose of, or create any encumbrances on, whether directly or indirectly, any part of its Consideration Shares during the period of twenty four months after the Completion Date (altogether with the 12-month Lock-Up, the "**Share Lock-Up**").

The Issue Price of HK$1.00 per Consideration Share represents:

(1) a discount of approximately 21.26% to the closing price of approximately HK$1.270 per Share as quoted on the Stock Exchange on the Last Trading Day;

(2) a discount of approximately 22.12% to the average closing price of approximately HK$1.284 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(3) a discount of approximately 21.88% to the average closing price of approximately HK$1.280 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(4) a premium of approximately 6.16% over the net asset value of approximately HK$0.942 per Share as at 31 December 2011 (based on the audited consolidated net asset value of the Company of approximately HK$830.5 million as at 31 December 2011 and 881,908,389 Shares as at the Last Trading Day);

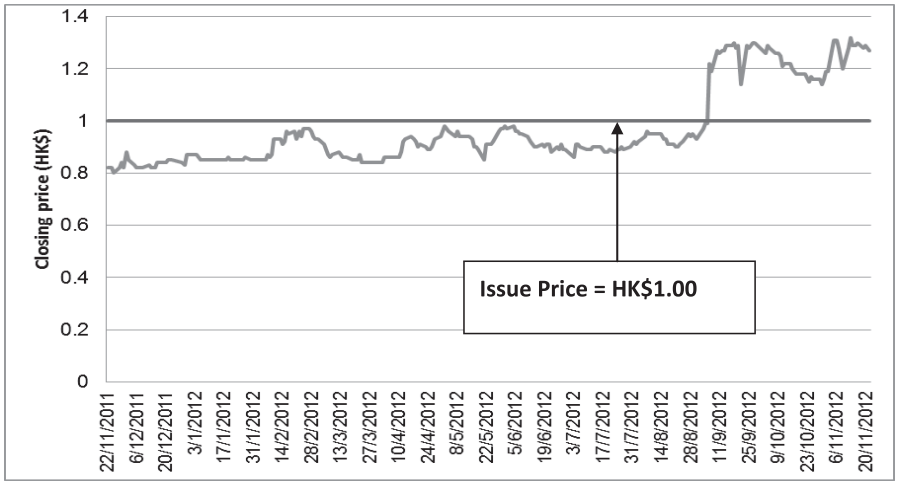
(5) a premium of approximately 20.05% over the unaudited net asset value of HK$0.833 per Share (the "**NAV per Share**") as at 30 June 2012 (based on the unaudited consolidated net asset value of the Company of approximately HK$735.0 million as at 30 June 2012 and 881,908,389 Shares as at the Last Trading Day); and

(6) a discount of approximately 20.63% to the closing price of approximately HK$1.260 per Share as quoted on the Stock Exchange on the Latest Practicable Day.

As set out in the Board Letter, the Issue Price was determined after arm's length negotiations among the parties to the Sale and Purchase Agreement with reference to (i) the prevailing market price of the Shares; (ii) the audited and unaudited net asset value of the Company as at 31 December 2011 and 30 June 2012, respectively; (iii) the financial performance of the Group; and (iv) the current market conditions. Based on the above, the Directors consider that the Issue Price is fair and reasonable to the Company and the Shareholders as a whole.

(i) Historical Price Performance

The graph below illustrates the closing price levels of the Shares during the period from 22 November 2011 (being the 12 calendar months period prior to the date of the Sale and Purchase Agreement) up to the Last Trading Day (the "**Review Period**").



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

During the Review Period, the closing price of the Shares recorded lowest closing price of HK$0.80 per Share recorded on 25 November 2011 and highest closing price of HK$1.32 recorded on 13 November 2012. The Issue Price represented a premium of approximately 25.00% and a discount of approximately 24.24% over/to such lowest closing price and highest closing price respectively. During the Review Period, the Issue Price represented premium over the closing prices of the Shares for 196 trading days out of 249 trading days, representing approximately 78.71% of the trading days during such period. As noted from the graph above, the closing price of the Share has surged up to above HK$1.00 in early September 2012 and we noted from the announcement of the Company dated 6 September 2012 that save for the negotiation with several parties in respect of a possible acquisition involving certain solar related businesses in the PRC and/or the United States of America, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

(ii) Comparable Analyses

In order to assess the fairness and reasonableness of the terms of the Consideration Shares, to the best of our knowledge, we have looked into companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange which have made announcements for acquisition of assets by issuing

consideration shares which amounted to not less than HK$500 million in value and would be listed on the Stock Exchange to connected persons and/or independent third parties (the "**Share Comparables**") from 22 November 2011 up to and including 22 November 2012, being the date of the Sale and Purchase Agreement, for reference. In view that (i) the terms of the Share Comparables are determined under similar market conditions and sentiments as the Consideration Shares; (ii) the value of the consideration shares of the Share Comparables amounted to not less than HK$500 million; and (iii) the Consideration Shares will be issued to both connected persons and independent third parties to the Company, we consider the Share Comparables are fair and representative samples.

Date of announcement	**Share Comparable (stock code)**	**Maximum value of the consideration shares (HK$' million)**	**Approximate premium/(discount) represented by issue price to the closing price prior to the release of the announcement (%)**	**Approximate premium/(discount) represented by issue price to the average closing price for the last five consecutive trading days prior to the release of the announcement (%)**	**Approximate premium/(discount) over/to the net asset value per share (%)** *(Note 2)*
16-Nov-12	Prosperity International Holdings (H.K.) Limited (803) *(Note 1)*	4,290.00	26.60	34.80	33.30
1-Nov-12	Up Energy Development Group Limited (307) *(Note 4)*	735.00	150.00	153.16	(69.20)
17-Oct-12	Viva China Holdings Limited (8032) *(Note 1)*	578.51	0.00	1.56	(33.91)
8-Oct-12	North Asia Resources Holdings Limited (61) *(Note 1)*	max: 3,662	(39.30)	(37.00)	(36.30)
26-Sep-12	Beijing Enterprises Water Group Limited (371) *(Note 1)*	1,258.43	(10.99)	(10.99)	37.55
5-Sep-12	Lenovo Group Limited (992)	1,178.36 *(Note 5)*	the issue price has not been announced at the date of the announcement *(Note 3)*	the issue price has not been announced at the date of the announcement *(Note 3)*	the issue price has not been announced at the date of the announcement *(Note 3)*
6-Jul-12	China Precious Metal Resources Holdings Co., Ltd. (1194)	1,222.62	11.02	9.64	38.06
26-Jun-12	China Pharmaceutical Group Limited (1093) *(Note 1)*	2,271.74	(7.32)	(0.52)	(49.37)
	Maximum		**26.60**	**34.80**	**38.06**
	Minimum		**(39.30)**	**(37.00)**	**(49.37)**
	Mean		**(3.33)**	**(0.42)**	**(1.78)**
	Company	**959.46**	**(21.26)**	**(22.12)**	**20.05**

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

Notes:

1. These transactions conducted by the Share Comparables have constituted connected transactions.

2. The net assets per share of the Share Comparables are based on (i) the net assets attributable to equity holders as set out in the latest annual/interim reports published before the respective announcements of the Share Comparables; and (ii) the issued share of the Share Comparables as at the date of their respective announcements.

3. As the issue price of this Share Comparable has not been announced as at the date of the announcement, this Share Comparable has been excluded from the calculation of the maximum, minimum and average premium/discounts of the Share Comparables.

4. Due to the substantial premium represented by the issue price to the closing price of this Share Comparable on the last trading days prior to the release of the respective announcements and to the average closing price for the last five consecutive trading days prior to the release of the respective, this Share Comparable has been treated as outlier and has been excluded from the Share Comparables analyses.

5. For calculation purposes, the value of the consideration shares announced in Brazilian real has been converted into HK$ under the exchange rate of HK$3.928 to R1.0.

Based on the above illustration, the premium/discount represented by the issue price per consideration share issued by respective Share Comparables to their respective closing prices on the last trading day before release of the relevant announcements ranged from a premium of approximately 26.60% to a discount of approximately 39.30% (the "**Share Comparable LTD Range**"). Upon comparison, we note that the discount of the Issue Price to the closing price on the Last Trading Day falls within the Share Comparable LTD Range.

The premium/discount represented by the issue price per consideration share issued by respective Share Comparables to their respective 5-day-average closing prices for the five consecutive trading days up to and including the last trading day before the release of the relevant announcements ranged from a premium of approximately 34.80% to a discount of approximately 37.00% (the "**Share Comparable 5-Day Range**"). Upon comparison, we note that the discount of the Issue Price to the 5-day-average closing price for the five consecutive trading days up to and including the Last Trading Day falls within the Share Comparable 5-Day Range.

The premium/discount represented by the issue price per consideration share issued by respective Share Comparables to their respective net asset value per share ranged from a premium of approximately 38.06% to a discount of approximately 49.37% (the "**Share Comparable NAV Range**"). Upon comparison, we note that the premium of the Issue Price to the NAV per Share falls within the Share Comparable NAV Range.

Taking into account that (i) the Issue Price represented a premium to the NAV per Share of the Company; (ii) the Issue Price represented premium over the closing prices of the Shares for 196 trading days out of 249 trading days during the Review Period; (iii) the discount of the Issue Price to the closing price on Last

Trading Day falls within the Share Comparable LTD Range; (iv) the discount of the Issue Price to the 5-day-average closing price for the five consecutive trading days up to and including the Last Trading Day falls within the Share Comparable 5-Day Range; (v) the premium of the Issue Price to the NAV per Share falls within the Share Comparable NAV Range; (vi) the uncertainty risks associated with the Consideration Shares to be borne by holders thereof as a result of the Share Lock-Up arrangement; and (vii) the size of the Consideration Shares and the loss-making track record of the Company, we consider the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

(d) *Convertible Bonds*

Pursuant to the Sale and Purchase Agreement, upon Completion, the Company will issue to the Vendors (or their respective nominees) the Convertible Bonds in aggregate principal amount of approximately HK$1,160,447,750 for settlement of approximately 54.74% of the total Consideration for the Acquisition.

As set out in the section headed "Part A — 3. CONVERTIBLE BONDS" in the Board Letter, subject to the terms of the Convertible Bonds and the provisions under the Listing Rules and the Takeovers Code, (i) the holders of the Series A Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Series A Convertible Bonds into Conversion Shares at any time and from time to time during the Conversion Period commencing from the day immediately after the end of the first anniversary of the issue date of the Series A Convertible Bonds and ending on the Maturity Date, and (ii) the holders of the Series B Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Series B Convertible Bonds into Conversion Shares at any time and from time to time during the Conversion Period commencing from the day immediately following the expiry of the Lock-up Period and ending on the Maturity Date.

The Bondholders shall not have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares to the extent that immediately after such conversion (the "**Conversion Restriction**"):

(i) the minimum public float requirement for the Shares as required under the Listing Rules could not be maintained;

(ii) the Bondholder (other than Hyatt Servicing, its Affiliates and their parties acting in concert) whether alone or together with parties acting in concert with it will, directly or indirectly, control or be interested in 29.90% or more of the voting rights of the Company (or in such other percentage lower than 29.90% as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer); or

(iii) Hyatt Servicing, its Affiliates and their parties acting in concert, whether alone or together with parties acting in concert with it will, directly or indirectly, control or be interested in 19.90% or more of the voting rights of the Company (or in such other percentage lower than 19.90% as may from

time to time be specified in the Takeovers Code which will result in Hyatt Servicing, its Affiliates and their parties acting in concert being presumed as a party acting in concert with any Shareholder and parties acting in concert with such Shareholder).

The Conversion Price is equivalent to the Issue Price. As set out in the Board Letter, the Conversion Price was determined on the same basis of determination of the Issue Price and the Directors consider the Conversion Price is fair and reasonable to the Company and the Shareholders as a whole. Further details of the terms of the Convertible Bonds has been set out under the section headed "Part A — 3. CONVERTIBLE BONDS" in the Board Letter.

(i) Comparable Analyses

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds, to the best of our knowledge, we have looked into recent issues of convertible notes/bonds to connected persons and/or independent third parties by companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange which have made announcements for acquisition of assets by issuing convertible notes/bonds which with principal amount of not less than HK$500 million and is convertible into shares listed on the Main Board and Growth Enterprise Market of the Stock Exchange (the "**CB Comparables**") from 22 November 2011 up to and including 22 November 2012, being the date of the Sale and Purchase Agreement, for reference. As (i) the terms of the CB Comparables are determined under similar market conditions and sentiments as the Convertible Bonds; (ii) the principal amount of the CB Comparables are not less than HK$500 million; and (iii) the Convertible Bonds will be issued to both connected persons and independent third parties to the Company, we consider the CB Comparables are fair and representative samples.

Date of announcement	Company (stock code)	Principal amount (HK$' million)	Maturity (years)	Interest per annum (%)	Premium/ (discount) over/to the last trading day prior to the date of the corresponding announcement (%)	Premium/ (discount) over/to the average of the last 5 trading days prior to the date of the corresponding announcement (%)	Approximate premium/ (discount) over/to the net asset value per share (%) *(Note 2)*
16-Nov-12	Prosperity International Holdings (H.K.) Limited (803) *(Note 1)*	780.00	2	0	26.60	34.80	33.30
17-Oct-12	Viva China Holdings Limited (8032) *(Note 1)*	780.00	upon liquidation	0	0.00	1.56	(33.91)
8-Oct-12	North Asia Resources Holdings Limited (61) *(Note 1)*	maximum 3,662	5	0 *(Note 4)*	(39.30)	(37.00)	(36.30)
7-Aug-12	Mongolia Investment Group Limited (402)	1,207.01	5	0	28.21	28.21	34.68

Date of announcement	Company (stock code)	Principal amount (HK$' million)	Maturity (years)	Interest per annum (%)	Premium/ (discount) over/to the last trading day prior to the date of the corresponding announcement (%)	Premium/ (discount) over/to the average of the last 5 trading days prior to the date of the corresponding announcement (%)	Approximate premium/ (discount) over/to the net asset value per share (%) *(Note 2)*
26-Jun-12	China Pharmaceutical Group Limited (1093) *(Note 1)*	6,708.26	5	0	4.88	12.57	(42.70)
27-May-12	Enerchina Holdings Limited (622)	1,040.00	5	0	13.60	17.60	(79.70)
25-May-12	Media China Corporation Limited (419) *(Note 1)*	700	3	0	8.70	11.86	(61.58)
29-Mar-12	Sinocop Resources (Holdings) Limited (476) *(Notes 1,3)*	2,910.00	10	0	(3.80)	(2.60)	571.16
20-Jan-12	China Public Healthcare (Holding) Limited (8116)	up to 520.00	5	0	(15.52)	(19.93)	(40.52)
24-Nov-11	China Oriental Culture Group Limited (2371)	1st Tranche: 188 2nd Tranche: 423	5	0	(11.30)	(6.00)	(0.00) *(Note 5)*
	Maximum			**0.00**	**28.21**	**34.80**	**34.68**
	Minimum			**0.00**	**(39.30)**	**(37.00)**	**(79.70)**
	Mean			**0.00**	**1.76**	**4.85**	**(25.19)**
	Company	**1,160.45**	**5**	**0**	**(21.26)**	**(22.12)**	**20.05**

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

Notes:

1. These transactions conducted by the CB Comparables have constituted connected transactions.

2. The net assets per share of the CB Comparables are based on (i) the net assets attributable to equity holders as set out in the latest annual/interim reports published before the respective announcements of the Share Comparables; and (ii) the issued share of the Share Comparables as at the date of their respective announcements.

3. Due to the substantial premium represented by the issue price to the net assets per share of this CB Comparable, this CB Comparable has been treated as outlier and has been excluded from the CB Comparables analyses.

4. The interest rate is equivalent to the dividend per share from time to time. As there is no dividend for the two latest financial years before publication of the announcement, the interest for the convertible note/bond for this CB Comparable has been treated as 0 for calculation purposes.

5. For calculation purposes, the net assets recorded in RMB have been converted into HK$ under the exchange rate of HK$1.243 to RMB1.0.

Based on the above illustration, the premium/discount represented by the conversion price of the respective CB Comparables to their respective closing prices on the last trading day before release of the relevant announcements ranged from a premium of approximately 28.21% to a discount of approximately 39.30% (the "**CB Comparable LTD Range**"). Upon comparison, we note that the discount of the Conversion Price to the closing price on the Last Trading Day falls within the CB Comparable LTD Range.

The premium/discount represented by the conversion price of the respective CB Comparables to their respective 5-day-average closing prices for the five consecutive trading days up to and including the last trading day before the release of the relevant announcements ranged from a premium of approximately 34.80% to a discount of approximately 37.00% (the "**CB Comparable 5-Day Range**"). Upon comparison, we note that the discount of the Conversion Price to the 5-day-average closing price for the five consecutive trading days up to and including the Last Trading Day falls within the CB Comparable 5-Day Range.

The premium/discount represented by the conversion price of the respective CB Comparables to their respective net asset value per share ranged from a premium of approximately 34.68% to a discount of approximately 79.70% (the "**CB Comparable NAV Range**"). Upon comparison, we note that the premium of the Conversion Price to the NAV per Share falls within the CB Comparable NAV Range.

Taking into account that (i) the Convertible Bonds is non-interest bearing; (ii) the Conversion Price is equivalent to the Issue Price, of which we consider it is fair and reasonable; (iii) the discount of the Conversion Price to the closing price on Last Trading Day falls within the CB Comparable LTD Range; (iv) the discount of the Conversion Price to the 5-day-average closing price for the five consecutive trading days up to and including the Last Trading Day falls within the CB Comparable 5-Day Range; (v) the Conversion Price represented a premium to the NAV per Share and such premium falls within the CB Comparable NAV Range; and (vi) the Conversion Restriction and the uncertainty risk to be borne by the holders of the Convertible Bonds after issue of the Convertible Bonds but before the commencement of the Conversion Period, we are of the view that the terms of the Convertible Bonds are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

(e) *Alternatives*

As set out in Board Letter, the Directors consider that the settlement of the Consideration by way of issuance of the Convertible Bonds is favourable to the Group at the juncture of its development given that it enables the Group to implement the Acquisition without significant outlay of cash and preserve its currently available cash for future development of its business, and thus, is considered to be in the interests of the Company and the Shareholders as a whole.

Having considered (i) bank financing may incur interest burden to the Group; (ii) the combination of issue of Convertible Bonds and Consideration Shares would reduce immediate dilution effect from the Consideration Shares and align the interests of the Vendors with the Group; and (iii) the settlement method by way of Convertible Bonds and Consideration Shares would reduce cash outflow of the Company and hence, preserve the financial flexibility of the Group for its future development given the size of the Consideration, we consider the settlement method by way of Consideration Shares and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. ***Financial effect of the Acquisition***

(i) *Net asset value*

As reported in AR 2012, the net asset value of the Group as at 31 December 2012 was approximately HK$223.97 million and based on the abovementioned net asset value of approximately HK$223.97 million and 881,908,389 issued Shares as at the Last Trading Day, the net asset value per Share was amounted to approximately HK$0.25.

As set out in the UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP in Appendix IV of the Circular (the "**Unaudited Pro Forma Financial Information**"), upon Completion, the net assets of the Group will increase to approximately HK$646.46 million. Based on the abovementioned net assets of the Group upon Completion and 1,841,370,639 Shares in issue upon Completion (assuming no Convertible Bonds and Jet Mile Convertible Notes will be converted), the net asset value per Share would be approximately HK$0.35.

(ii) *Earnings*

In view of the optimistic prospect of the Target Group, the framework agreements entered by the Target Group and the potential synergistic effects brought to the Group by the Vendors as mentioned in the section headed "3. Reasons for the Acquisition", we concur with the Company that it is a fair expectation that the Acquisition will have a positive impact on the earnings of the Group.

In light of the enhancement on the financial position of the Group and possible positive impact on the earnings of the Group, we consider the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

Notwithstanding the abovementioned, Independent Shareholders should note that, there may be a risk of immediate impairment of goodwill of the Acquisition. Further details of the potential financial effect of such impairment has been set out in the Unaudited Pro Forma Financial Information in the Circular. In addition, Independent Shareholders should also note that since the fair value of the Shares at the Completion Date may be substantially different from the fair values used in the Unaudited Pro Forma Financial Information (that is, in the Unaudited Pro Forma Financial

Information, the fair values of the Consideration Shares and Convertible Bonds were determined with reference to the closing price of the Shares as at 31 December 2012), the final amounts of goodwill and impairment provision for assets (including goodwill) to be recognized in relation to the Acquisition may be different from the amounts presented in the Unaudited Pro Forma Financial Information.

6. ***Potential dilution***

The table showing the effect of the Acquisition on the shareholding structure of the Company has been set out under the section headed "Part A — 8. SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION OF THE PROPOSED ACQUISITION" in the Board Letter.

As shown in the shareholding table, the shareholding of the existing Independent Shareholders will be decreased from approximately 79.36% to approximately 38.01% upon following allotment and issue of the Consideration Shares in full and subsequently decreased to approximately 23.32% upon following the allotment and issue of the Consideration Shares and the Conversion Shares in full. As noted from the Board Letter, such minimum shareholding of approximately 23.32% of the existing Independent Shareholders shall not occur upon following the allotment and issue of the Consideration Shares and the Conversion Shares in full because under the terms and conditions of the Convertible Bonds, the Conversion Rights cannot be exercised by any Bondholder to the extent that if immediately after such conversion, (i) the minimum public float requirement for the Company as required under the Listing Rules could not be maintained; or (ii) the Bondholder (other than Hyatt Servicing, its Affiliates and their parties acting in concert), whether alone or together with party(ies) acting in concert with it will, directly or indirectly, control or be interested in 29.90% or more of the voting rights of the Company.

We are aware of the abovementioned dilution effect on the existing Independent Shareholders, however, having considered:

(i) the Acquisition allows the Group to achieve a vertical integration of its solar energy business which would broaden the revenue base of the Group given the loss-making track record of the Company;

(ii) the prospect of the solar PV industry in PRC given the increasing of Total Electricity Consumption in PRC and the solar PV industry is one of the emerging industries advocated by the PRC government in the 12th Five-Year Plan and the supportive subsidy programs such as the Golden Sun Program carried out by the PRC government;

(iii) the Target Group has entered into a series of legally binding framework agreements for investment, development and operation of both ground-based and rooftop solar power plant projects with total capacity of the solar power plant projects which are owned or maybe acquired by it in the PRC of approximately 2.16GW and 5GW by the financial year ending 31 December 2015 and 31 December 2017 respectively;

(iv) the potential synergies to be brought by the strategic business relationship with the Vendors in particular the transactions under the Continuing Connected Transactions which would provide a steady supply of raw materials and a stable demand and income stream to the Group given that sales of solar energy business for the year ended 31 December 2012 has been diminished as compared with the sales in 2011;

(v) the positive impact on the future growth of the Group as lead by the 12th Five-Year Plan of the PRC, the vertical integration of the solar energy business of the Group and the potential synergies to be brought by the strategic business relationship with the Vendors may also have a positive impact on the profitability of the Group given the loss-making track record of the Group;

(vi) the Profit Guarantee would secure the continuing commitment and align the interests of the Vendors with the Group given the solid background of the Vendors and their respective shareholders as set out in section head "Part A — 9. INFORMATION OF THE VENDORS" in the Board Letter;

(vii) the Consideration will be settled by way of issuance of the Consideration Shares and the Convertible Bonds which would also align the interests of the Vendors with the Group because the economic benefits of the Consideration Shares and the Convertible Bonds rely on the increase in share price to be driven by improving fundamentals of the Company;

(viii) the Acquisition is aligned with the business strategy of the Company;

(ix) the Issue Price and the Conversion Price represented premium to the NAV per Share and the premium of the Issue Price and the Conversion Price to the NAV per Share falls within the Share Comparable NAV Range and the CB Comparable NAV Range respectively;

(x) the Issue Price and the Conversion Price represented premium over the closing prices of the Shares for 196 trading days out of 249 trading days during the Review Period;

(xi) the discount represented by the Issue Price and by the Conversion Price to the closing price on Last Trading Day falls within the Share Comparable LTD Range and the CB Comparable LTD Range respectively;

(xii) the discount represented by the Issue Price and by the Conversion Price to the 5-day-average closing price for the five consecutive trading days up to and including the Last Trading Day falls within the Share Comparable 5-Day Range and the CB Comparable 5-Day Range respectively;

(xiii) the Convertible Bonds is non-interest bearing;

(xiv) the settlement method by way of Convertible Bonds and Consideration Shares would reduce cash outflow of the Company and hence, preserve the financial flexibility of the Group for its future development given the size of the Consideration;

(xv) the immediate dilution effect will be reduced by the Conversion Restriction; and

(xvi) the Conversion Period for the Series A Convertible Bonds will commence on the day immediately following the end of the first anniversary of the issue date of the Series A Convertible Bonds and the Conversion Period for the Series B Convertible Bonds will commence on the day immediately following the expiry of the Lock-up Period,

we consider the dilution effect is acceptable.

7. ***Recommendation***

Having considered the above-mentioned principal factors and reasons, notwithstanding we consider the Sale and Purchase Agreement is not ordinary and usual course of business of the Company, we are of the view that (i) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Sale and Purchase Agreement and the terms thereof are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Sale and Purchase Agreement to be proposed at the SGM.

Having said that, we would also like to draw Independent Shareholders' attention to the potential risk factors associated with the Acquisition as set out in the "RISK FACTORS" section in the Circular. Independent Shareholders are reminded to exercise caution when dealing in the Shares and securities of the Company and if they are in any doubt, they should consult their professional advisers.

B. Proposed Continuing Connected Transactions

1. ***Background and reasons of the Continuing Connected Transactions***

As set out in the Board Letter, it is contemplated that upon Completion, certain transactions will continue or be entered into (i) between the Enlarged Group and CMNEG Group; (ii) between the Enlarged Group and GCL-Poly Group; and (iii) between the Enlarged Group and EBOD Group. Such transactions include (i) the provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group; (ii) the supply of materials from members of GCL-Poly Group to members of the Enlarged Group; (iii) the supply of materials from members of the Enlarged Group to members of EBOD Group; and (iv) the provision of processing services by members of the Enlarged Group to members of the EBOD Group.

CMNEG, GCL-Poly, and EBOD are active players with different positioning in the solar energy industry. After completion of the Acquisition, the abovementioned Continuing Connected Transactions would enable the Enlarged Group to maintain its business in solar cell manufacturing and develop the business in the investment, operation and management of solar power plants in the solar energy industry.

CMNEG is an indirect subsidiary of China Merchants Group Limited. China Merchants Group Limited and its subsidiaries engage in various major business sectors in the PRC, such as transportation and related infrastructure (ports, toll roads, energy transportation and logistics), financial investment and asset management, as well as property development and management. The relationship with China Merchants Group Limited provides CMNEG with access to the rooftops of suitable properties owned by the subsidiaries of China Merchants Group Limited, which can be utilised for development as rooftop solar power plants.

GCL-Poly is one of the world's leading producers of polysilicon and wafers and will continue to supply polysilicon and wafers to the Enlarged Group to manufacture solar cells after completion of the Acquisition.

LPTQ, an indirect wholly owned subsidiary of EBOD, has obtained certificates issued by the China Quality Certification Centre (中國質量認證中心) in respect of manufacturing of poly solar modules. Solar modules meeting the requirements of such certification can be supplied to solar power plant projects eligible for the Golden Sun Program. LPTQ outsources the processing services to CMTST to utilise the production capacity of CMTST with a view to capture the growing opportunities in solar power plant projects promoted by the Golden Sun Program.

As set out in the Board Letter, having considered the anticipated increasing demand of solar cells and processing services from EBOD Group whose transaction terms are no less favourable than terms available from other Independent Third Parties, the Directors believe that the supply of solar cells and provision of processing services to EBOD Group will enable the Enlarged Group to enhance the sales performance and profitability of the Group.

As further set out in the Board Letter, the executive Directors and the non-executive Directors consider the terms of the agreements governing the Continuing Connected Transactions to be fair and reasonable and in the interest of the Shareholders so far as the Shareholders are concerned.

The Group is principally engaged in solar energy business with focus on solar silicon cell manufacturing. The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems. The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation.

Having considered that (i) the principal activities of the Group and the Target Group; (ii) certain transactions contemplated under the Continuing Connected Transactions were entered into before relevant parties having become connected persons of the Company; (iii) the Continuing Connected Transactions would provide a steady supply of raw materials and a stable demand and income stream to the Group given that sales of solar energy business for

the year ended 31 December 2012 has been diminished as compared with the sales in 2011 as shown under the above section headed "A. The Sale and Purchase Agreement"; and (iv) the terms of the Continuing Connected Transactions are no less favourable than terms available from other Independent Third Parties, we are of the view that the entering into of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2. ***Terms and annual caps of the Continuing Connected Transactions***

I. *Provision of solar electricity and energy saving service by member of the Enlarged Group to members of CMNEG Group*

(i) Background and terms

CTNE, a member of the Target Group, entered into framework agreements with CMLH, CSOSA and CMBL on 28 November 2011 (the "**1st Framework Agreement**"), 29 December 2011 (the "**2nd Framework Agreement**") and 30 December 2011 (the "**3rd Framework Agreement**", altogether with the 1st Framework Agreement and the 2nd Framework Agreement, the "**Framework Agreements**") respectively. CMLH, CSOSA and CBML are members of the CMNEG Group and the Framework Agreements set out the overriding and principal terms, among others, for the provision of solar electricity by CTNE to members of the CMNEG Group. Details of the terms and conditions for such solar electricity provision service contemplated under the Framework Agreements will be dealt with in separate solar electricity supply and energy saving service agreement(s), which will be in line with the Group's policies and may vary according to the prevailing market conditions and change in the relevant rules, regulations and state policy applicable to solar energy industry.

It is anticipated that CTNE or its subsidiaries operating solar power plants will enter into solar electricity supply and energy saving service agreement(s) with the CMNEG Group for the supply of solar electricity and provision of related electricity saving services by CTNE or its subsidiaries for the coming three financial years ending 31 December 2015.

The term of each of the 1st Framework Agreement, 2nd Framework Agreement and the 3rd Framework Agreement has a period of 25 years commencing from the date of respective Framework Agreements. As advised by the Company, the term of a period of 25 years is determined with reference to the estimated lifetime of a solar PV module in order to fully utilize the solar PV module. As advised by the Target Company, save for such framework agreements, the Target Group has not entered into similar framework agreements in relation to the provision of solar electricity and related energy saving services. GCL-Poly Investment, which is engaged in development of power related projects, has provided us sample agreements in relation to the provision of solar electricity and related energy saving services for reference and based on which, we are of the view that the term of 25 years as contained in each of such framework agreements is in accordance with normal business practice.

As set out in the Board Letter, transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the Independent Shareholders are concerned and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply promulgated by the local Price Control Administration (物價局)), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustments, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into account the generation, transmission and maintenance costs. We are given to understand from the Company that the pricing of the transactions will be agreed after available and comparable agreements of the Independent Third Parties are reviewed and compared by the management. In addition, further references will be made with the price promulgated by the local Price Control Administration periodically by designated sales and reviewed by the management in order to ensure that the pricing are made in accordance with the pricing principles as stipulated under the Framework Agreement. Given the above, we are of the view that the mechanism of the pricing principles of the Company is sound and effective.

As noted from the Board Letter, there was no solar electricity supply and energy saving service agreement(s) signed pursuant to the 1st Framework Agreement and the 2nd Framework Agreement as at the Latest Practicable Date. On 25 May 2012, CMSZ, a subsidiary of CTNE, and CMBL entered into a solar electricity supply and energy saving service agreement (the "**Electricity Supply Agreement**") for the supply of solar electricity and provision of related energy saving services by CMSZ to CMBL for a term of 20 years commencing from 3 May 2012 and expiring on 2 May 2032 under the 3rd Framework Agreement. Pursuant to the 3rd Framework Agreement and the Electricity Supply Agreement, the price payable for the provision of solar electricity shall be the standard price for electricity supply promulgated by the local Price Control Administration (物價局) and to be adjusted in accordance the applicable rules and regulations from time to time and the initial price is RMB0.715/KWh. If the parties fail to agree on the adjustment on the price, either party may terminate the agreement.

We have reviewed the Electricity Supply Agreement and are also given to understand from the Company that the initial price under the Electricity Supply Agreement of RMB0.715/KWh is the standard electricity price promulgated by the Guandong Price Control Administration at the date of the Electricity Supply Agreement. We noted from the website of Guandong Price Control Administration

(*http://www.gdpi.gov.cn/dfjg/index.jhtml*) that it lists out the standard electricity price promulgated by the local government of various city in Guandong Province and therefore we are of the view that such price is a fair reference price.

Having considered that (i) the term of the Framework Agreements of 25 years is in line with the estimated useful life of the solar PV module for the purpose of fully utilize the solar PV module and in accordance with normal business practice; (ii) the pricing basis of the Framework Agreements is in accordance with relevant rules and regulation of the government including but not limited to the standard electricity price promulgated by the local government; and (iii) transactions under the Framework Agreements will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the terms of the Framework Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Proposed Annual Caps

As set out in the Board Letter, the proposed Annual Caps for those Continuing Connected Transactions involving provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group (the "**Category A Annual Caps**") for the three financial years ending 31 December 2015 are as follows:

	For the financial year ending 31 December		
	2013	**2014**	**2015**
Framework Agreements	**Proposed Cap**	**Proposed Cap**	**Proposed Cap**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
1st	4,898	100,894	103,920
2nd	1,959	2,018	2,078
3rd	19,591	20,178	20,784
Total	**26,448**	**123,090**	**126,782**

In determining the proposed Category A Annual Caps, the Board has taken into account:

1. the Framework Agreements;

2. the construction plan of the power plants, the projected installed capacity of the power plants and annual electric power production pursuant to the Framework Agreements upon commencement of operation of the power plants in the three financial years ending 31 December 2015; and

3. the relevant PRC rules and regulations governing the supply of solar electricity for determining the price payable for the solar electricity in the relevant regions.

Concerning the proposed cap under the 1st Framework Agreement (the "**1st Category A Annual Cap**") for the year ending 31 December 2013, we noted from the Board Letter that the maximum projected solar electricity generation capacity of the power plants of the rooftop solar/power plants/systems pursuant to the 1st Framework Agreement (the "**1st Solar Electricity Generation Capacity**") is 100 MW by 2015. As noted from the Valuation Report, among the 1st Solar Electricity Generation Capacity, 5 MW has been granted with subsidy from the Golden Sun Program in the 2nd half of 2012. Accordingly, the projected solar electricity generation capacity by 2013 is 5 MW according to the development plan of the rooftop solar power plant/systems. As advised by the Company, the conversion factor regarding the sunlight distribution (the "**Conversion Factor**") of 1,370 MWh/MW is applied. Thus, the estimated annual electric power production is 6,850,000 KWh (i.e. 5 MW x 1,370 MWh/MW). The 1st Category A Annual Cap for the year ending 31 December 2013 of RMB4,898,000 equals to approximately of 6,850,000 KWh multiply by RMB0.715/KWh which is the standard electricity price promulgated by the local government.

As further advised by the Company, it is expected that the 1st Solar Electricity Generation Capacity of 100 MW can be reached by 2014 according to the development plan of the rooftop solar power plant/systems. Based on the Conversion Factor of 1,370 MWh/MW the estimated annual electric power production would be 137,000,000 KWh (100 MW x 1,370 MWh/MW) for the year 2014. As noted from the Valuation Report, the annual growth rate of the rooftop tariff is 3% (the "**Rooftop Tariff Growth Rate**"). As such, the 1st Category A Annual Cap for the year ending 31 December 2014 of RMB100,894,000 equals to approximately of 137,000,000 KWh multiply by RMB0.715/KWh and 1.03.

As the 1st Solar Electricity Generation Capacity of 100 MW is expected to be reached by 2014, the projected solar electricity generation capacity in 2015 and the estimated annual electric power production is also expected to be the same as 2014. As a result of the estimated increase in the electricity price at the Rooftop Tariff Growth Rate, the 1st Category A Annual Cap for the year ending 31 December 2015 of RMB103,920,000 represents an increase of approximately 3% as compared to the 1st Category A Annual Cap for the year ending 31 December 2014 of RMB100,894,000.

Concerning the proposed cap under the 2nd Framework Agreement (the "**2nd Category A Annual Cap**") for the financial year ending 31 December 2013, we noted from the Board Letter that the maximum projected solar electricity generation capacity of the power plants of the rooftop solar/power plants/systems pursuant to the 2nd Framework Agreement (the "**2nd Solar Electricity Generation Capacity**") is 2 MW by 2015. As advised by the Company, the Conversion Factor of 1,370 MWh/MW is applied. As advised by the Company, it is expected that the 2nd Solar Electricity Generation Capacity of 2 MW can be reached by 31 December 2013. The estimated annual electric power production in 2013 is 2,740,000 KWh (i.e. 2 MW x 1,370 MWh/MW). The 2nd Category A Annual Cap for the financial year ending 31 December 2013 of RMB1,959,000 equals to approximate of 2,740,000 KWh multiply by RMB0.715/KWh which is the standard electricity price promulgated by the local government.

As the 2nd Solar Electricity Generation Capacity of 2 MW is expected to be reached by 2013, the projected solar electricity generation capacity and the estimated annual electric power production in 2014 and 2015 are expected to be the same as 2013. As a result of the estimated increase in the electricity price at the Rooftop Tariff Growth Rate, the 2nd Category A Annual Cap for the year ending 31 December 2014 of RMB2,018,000 represents an increase of approximately 3% as compared to the 2nd Category A Annual Cap for the year ending 31 December 2013 of RMB1,959,000 while the 2nd Category A Annual Cap for the year ending 31 December 2015 of RMB2,078,000 also represents an increase of approximately 3% as compared to the 2nd Category A Annual Cap for the year ending 31 December 2014 of RMB2,018,000.

Concerning the proposed cap under the 3rd Framework Agreement (the "**3rd Category A Annual Cap**") for the financial year ending 31 December 2013, we noted from the Board Letter that the maximum projected solar electricity generation capacity of the power plants of the rooftop solar power plants/systems pursuant to the 3rd Framework Agreement (the "**3rd Solar Electricity Generation Capacity**") is 20MW by 2015. We also noted from the Valuation Report that 20 MW solar power systems are expected to be installed of which the operation of 2 MW in a small-scale power plant as a demonstration case has commenced commercial operation in November 2012. As advised by the Company, the Conversion Factor of 1,370 MWh/MW is applied. As advised by the Company, it is expected that the 3rd Solar Electricity Generation Capacity of 20MW can be reached by 31 December 2013. The estimated annual electric power production in 2013 is 27,400,000 KWh (i.e. 20 MW x 1,370 MWh/MW). The 3rd Category A Annual Cap for the financial year ending 31 December 2013 of RMB19,591,000 equals to 27,400,000 KWh multiply by RMB0.715/KWh which is the standard electricity price promulgated by the local government.

As the 3rd Solar Electricity Generation Capacity of 20 MW is expected to be reached by 2013, the projected solar electricity generation capacity and the estimated annual electric power production in 2014 and 2015 are also expected to be the same as 2013. As a result of the estimated increase in the electricity price

at the Rooftop Tariff Growth Rate, the 3rd Category A Annual Cap for the year ending 31 December 2014 of RMB20,178,000 represents an increase of approximately 3% as compared to the 3rd Category A Annual Cap for the year ending 31 December 2013 of RMB19,591,000 while the 3rd Category A Annual Cap for the year ending 31 December 2015 of RMB20,784,000 also represents an increase of approximately 3% as compared to the 3rd Category A Annual Cap for the year ending 31 December 2014 of RMB20,178,000.

As advised by the Company, the 1st Solar Electricity Generation Capacity of 100 MW, the 2nd Solar Electricity Generation Capacity of 2 MW and the 3rd Solar Electricity Generation Capacity of 20MW (collectively, the "**Solar Electricity Generation Capacity Estimates**") are determined with reference to the area of the rooftops and the number of solar power systems which can be installed under the Framework Agreements, the development plan of the Rooftop Projects and internal resources of the Target Group. We also noted from the Valuation Report that the Solar Electricity Generation Capacity Estimates are included as part of the total capacity of 2.16W covered by the Concession Right.

We have reviewed the Valuation Report and noted that based on a research report about sunlight distribution named "Evaluating the Solar Radiation Resources of China in Recent 20 Years by Meteorological Model", published in Journal of Applied Meteorological Science in June 2010, an average conversion factor of 1,370 MWh/MWp was applied for projects which are located mostly in Guangdong, Suzhou and Zhejiang provinces, southeast regions with relatively modest solar irradiation and most of these projects are rooftop solar power plants projects.

We have enquired with the Independent Valuer and are given to understand that the Rooftop Tariff Growth Rate was determined with reference to the global long-term inflation growth rate and is a general rate applied to the valuation on the projects in China.

Having considered (i) the 1st Solar Electricity Generation Capacity of 100 MW, the 2nd Solar Electricity Generation Capacity of 2 MW and the 3rd Solar Electricity Generation Capacity of 20MW are based on the Target Company's develop plan on the installation of rooftop solar power plants; (ii) the Conversation Factors used for the Category A Annual Caps are as same as the average conversation factor as set out in the Valuation Report; (iii) the electricity price is the standard electricity price promulgated by the local government which we consider is a fair reference price; and (iv) the estimated annual increase in the electricity price is based on the Rooftop Tariff Growth Rate, we are of the view that the bases adopted to determine the Category A Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

II. *Supply of materials from members of GCL-Poly Group to members of the Enlarged Group*

(i) Background and terms

GCL-Poly Group is principally engaged in manufacturing of polysilicon and wafers for the solar industry, the development, management and operation of environmentally friendly power plants as well as operation of solar system integration business.

On 3 December 2010, GPQST, a member of the Group and GCLPT, a member of the GCL-Poly Group entered into a supply agreement for the supply of polysilicon from GCLPT to members of the Group (the "**Polysilicon Supply Agreement**"). The supply agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of polysilicon as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

As set out in the Board Letter, the Polysilicon Supply Agreement sets out the terms for the supply between 2011 and 2015. In the fourth quarter of 2015, the parties will negotiate for a renewed agreement with such terms and conditions as may be agreed. As advised by the Company, the term period of the Polysilicon Supply Agreement is in line with the terms of the supply agreements entered into between GCL-Poly Group and other independent purchasers and is to ensure a stable supply of polysilicons from the GCL-Poly Group. We noted from the website of Golden Concord Holdings Limited, the indirect holding company of GCL-Poly (*http://www.gcl-power.com/*), that five supply agreements were entered between GCL-Poly Group and respective independent purchasers in relation to supply of wafer and polysilicon products with term period of five to six years. Given the abovementioned, we are of the view that the term of the Polysilicon Supply Agreement is in accordance with normal business practice.

Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable than the terms available from Independent Third Parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned. We are given to understand from the Company that the pricing of the transactions will be agreed after available and comparable agreements of the Independent Third Parties are reviewed and compared by the management. As the market price of polysilicon can be volatile and may have great variation every month, further references will be made with the market price listed on the website of PV Insights (*pvinsights.com*), an international solar PV research firm which provides reports, advisory service and price reports and has its solar PV analysts, contacts and methodologies in information analyses, market forecasts and consulting services before the parties

agreed on the price of the transactions. As advised by the Company, a responsible officer will be appointed by the Board to be responsible for the above-listed monitoring process in order to ensure that the pricing are made in accordance with the pricing principles and payments for the transactions will be at such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties. Having considered the above, we are of the view that the mechanism of the pricing principles of the Company is sound and effective.

We have looked into the website of PV Insights (*http://pvinsights.com/index.php*), the premier international solar PV research firm who strives to help leading solar PV companies and financial professionals making real time business decisions and advisory services, which provides a weekly solar PV snapshot of the market price of various solar products including but not limited to, PV polysilicons.

In light of the above, having considered (i) the term of the Polysilicon Supply Agreement is in accordance with normal business practice; (ii) the principal activities of the Group and GCL-Poly Group; (iii) the Polysilicon Supply Agreement was entered into before GCL-Poly has become a connected person of the Company; (iv) the pricing basis of the Polysilicon Supply Agreement is reference to the market price listed on PV Insights which is an independent researching company to provide up-to-date real time market prices on solar products including but not limited to polysilicon and advisory services; and (v) transactions under the Polysilicon Supply Agreement will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned, we are of the view that the terms of the Polysilicon Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Proposed Annual Caps

As set out in the Board Letter, the proposed Annual Caps (the "**Category B Annual Caps**") for those Continuing Connected Transactions (the "**Category B CCT**") involving supply of polysilicon from members of GCL-Poly Group to members of the Enlarged Group for each of the three financial years ending 31 December 2015 is RMB320,000,000.

In determining the Category B Annual Caps, the Board has taken into account:

1. the historical transaction amount of the Category B CCT;

2. the framework agreement dated 14 November 2012 signed between the Target Company, GCL-Poly Investment and EBOD in relation to, among others, construction and acquisition of solar power plants;

3. the Polysilicon Supply Agreement;

4. the anticipated increase in solar cells production and expected level of demand of solar cells produced by the Group arising from the construction plan of the power plants, the projected installed capacity of the power plants and annual electric power production upon commencement of operation of the power plants in the three financial years ending 31 December 2015;

5. the price of polysilicon purchased from Independent Third Parties;

6. the production capacity of the Group; and

7. the anticipated growth of solar energy industry in the PRC in the coming three financial years ended 31 December 2015.

We noted from the Board Letter that the total transaction amount of the Category B CCT for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were RMB102,150,000, RMB358,121,000 and RMB47,050,000, respectively. We are given to understand from the Company that the Group acquired its solar energy business on late October 2010, and the amount RMB102,150,000 represents the Group's purchases of wafer in November 2010 and December 2010. As advised by the Company, the drop in transaction amount for the six months ended 30 June 2012 was mainly attributable to (i) the continued weak demand from the solar energy market driven by the European crisis; and (ii) aggressive price cut by competitors that led to average market selling price to decline and caused the Company to cut down its production of solar cells.

We have reviewed and given to understand from the Group that the Group has a maximum of 6 production lines. If all the productions lines are operated in full manpower and in 24 hours and the maximum production capacity of solar cells is 200MW per annum. On the basis that the production power of each wafer is approximately 4W, the Group needs approximately 50,000,000 pieces of wafer per annum. Assuming that approximately 85% of the Group's production capacity is utilized (the "**Production Capacity Estimate**"), the Group needs 42,500,000 pieces of wafer per annum. We have also reviewed the process of manufacturing of solar cells and have noted that the process consists of various technical steps. As advised by the Company, having considered that the operations of the production lines can be affected and may not be fully utilized due to various factors e.g. repairment and maintenance, performance of responsible staff, the Production Capacity Estimate was made based on best estimation from experience

and with reference to the yielding rate of production from the past record of the Group. Having considered the above, we are of the view that the Production Capacity Estimate is fair and reasonable.

The average price of the wafer that the Group purchased from February to August 2012 is approximately RMB7.6 per piece. Therefore, the estimated purchase price to be paid by the Enlarged Group to GCL-Poly Group is RMB323,000,000 which is approximately the Category B Annual Caps of RMB320,000,000.

We also noted from the Board Letter that pursuant to the framework agreement dated 14 November 2012 signed between the Target Company, GCL-Poly Investment and EBOD, provided that the solar power plant projects satisfy the pre-determined financial requirements, the Target Company shall have the right of first priority to have its acquisition offer considered by GCL-Poly Investment based on the same terms and conditions which any persons may offer to GCL-Poly Investment.

As further noted from the Board Letter, as at the Latest Practicable Date, the Target Group has acquired the Concession Rights with projected installed capacity of up to approximately 2.16GW which are owned or may be acquired by the Target Group in or prior to the year 2015 as contemplated under certain agreements or framework agreements entered into by the Target Group on or before 31 December 2012. Most of the rooftop solar power plant projects acquired or may be acquired by the Target Group have been approved as Golden Sun Demonstration Projects and are eligible for Golden Sun Program subsidy which gives the Target Group a competitive advantage over its competitors.

According to our research, worldwide awareness of the advantages of the use of solar photovoltics (PV) energy has been continuously increasing and resulting in a remarkable growth trend in the last decade. According to the report published in May 2012 by European Photovoltaic Industry Association (“EPIA”), the Global Market Outlook for Photovoltaics until 2016, PV technology has shown the potential to become a major source of power generation for the world, with a growth rate reaching almost 70% during 2011, it had emerged to become the third most important renewable energy behind hydro and wind power in terms of globally installed capacity.

In addition, as noted from the Industry Overview in the Circular, the PRC government implemented certain program and policies to encourage the development of solar PV industry such as the Golden Sun Program and the 12th Five Year Plan on solar PV industry development.

Apart from the above, we have also reviewed the transactions between the Group and the Independent Third Parties in relation to the purchase of polysilicon and wafer by the Group and we noticed that the purchase prices under the

historical transaction between the Group and the GCL-Poly Group were comparable to the purchase prices under the transactions between the Group and the Independent Third Parties.

Given (i) the Category B Annual Caps taken into account only 85% of the production capacity of the Group which is a prudent estimation; (ii) potential increase in solar power plant projects due to the abovementioned framework agreement dated 14 November 2012; (iii) the anticipated increase in the internal consumption of the solar cells produced by the Enlarged Group resulting from the development of the solar power plants/systems owned or to be acquired by the Enlarged Group; (iv) the anticipated growth of solar industry in the PRC; (v) the encouragement by the PRC government in the development of solar energy industry; and (vi) the purchase price is reference to the PV Insight market price and comparable to that of the Independent Third Parties, we are of the view that the basis adopted to determine the Category B Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

III. *Supply of materials from members of the Enlarged Group to members of EBOD Group*

(i) Background and terms

The principal activity of LPTQ is manufacturing of solar PV modules.

On 20 November 2012, GPQST, a member of the Group and LPTQ, a member of EBOD Group entered into a supply agreement for the supply of solar cells from GPQST to LPTQ (the "Solar Cells Supply Agreement"). The Solar Cells Supply Agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of solar cells as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

As set out in the Board Letter, the term of the supply agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015. Transactions will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available from Independent Third Parties. We are given to understand from the Company that the pricing of the transactions will be agreed after available and comparable agreements of the Independent Third Parties are reviewed and compared by the management. As the market price of solar cells can be volatile and may have great variation every month, further references will be made periodically by a designated officer with the market price listed on the website of PV Insights (pvinsights.com), an international solar PV research firm, before the parties agreed on the price of the transaction in order to ensure that the

pricing are made in accordance with the pricing principles as stipulated under the Solar Cells Supply Agreement and therefore, we are of the view that the mechanism of the pricing principles of the Company is sound and effective.

Having considered that (i) the principal activities of the Group and LPTQ; (ii) the Solar Cells Supply Agreement was entered into before EBOD has become a connected person of the Company; (iii) the pricing basis of the Solar Cells Supply Agreement is reference to the market price listed on PV Insights which is an independent researching company to provide up-to-date real time market prices on solar products including but not limited to solar cells and advisory services; and (iv) transactions under the Solar Cells Supply Agreement will be entered into in the ordinary and usual course of business of the Enlarged Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to Independent Third Parties on the basis that they will be fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the terms of the Polysilicon Supply Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Proposed Annual Caps

As set out in the Board Letter, the proposed Annual Caps (the "**Category C Annual Caps**") for those Continuing Connected Transactions involving supply of solar cells from members of the Enlarged Group to members of EBOD Group (the "**Category C CCT**") for each of the three financial years ending 31 December 2013, 2014 and 2015 is RMB184,000,000.

In determining the Category C Annual Caps, the Board has taken into account:

1. the historical transaction amount of the Category C Annual Caps;

2. the Solar Cells Supply Agreement;

3. the price of solar cells sold to Independent Third Parties; and

4. the anticipated growth of solar energy industry in the PRC in the coming three financial years ending 31 December 2015.

The total transaction amount of the Category C CCT for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were 4,272,000, 92,079,000 and nil, respectively.

As advised by the Company, the significant drop from the financial year ended 31 December 2011 to six months ended 30 June 2012 was mainly affected by the significant drop in demand in the European Market in 2012. During the year, LPTQ was applying for certificates issued by the China Quality Certification Centre (中國質量認證中心) in respect of its manufacturing of poly solar modules.

As advised by the Company, LPTQ indicated that they expect to purchase a total of 200 MW solar cells in the coming three financial years ending 31 December 2015 from the Group. As further advised by the Company, LPTQ has successfully obtained the certificates issued by the China Quality Certification Centre in respect of its manufacturing of poly solar modules, such solar modules with the certification can be supplied to solar power plant project that are eligible for the Golden Sun Program. In 2013, LPTQ has signed a supply agreement to a mainland company to provide 12MW modules under the Golden Sun program requirement. LPTQ outsources the processing services to CMTST to utilize the production capacity of CMTST with a view to capture the growing opportunities in the solar power plant projects promoted by the Golden Sun Program. Given the above, we are of the view that the purchase order indicated by LPTQ is fair and reasonable.

On the basis that one piece of solar cell has power of 4 W, 50,000,000 pieces of solar cells are expected to be sold to LPTQ pursuant to the abovementioned purchase order indication. The average price of the solar cells that the Group sold from April to September 2012 is approximately RMB11 per piece. Therefore, the estimated total amount to be paid by LPTQ to the Group in relation to the purchase of solar cells is RMB550,000,000 for the three financial years ending 31 December 2015. The Category C Annual Caps of RMB184,000,000 is the average approximate transaction amount for each year ending 2013, 2014 and 2015.

We have reviewed the transactions between the Group and the Independent Third Parties in relation to the sale of solar cells by the Group and we noticed that the selling prices under the historical transaction between the Group and the LPTQ were comparable to the purchase prices under the transactions between the Group and the Independent Third Parties.

Having considered (i) the purchase order indication by LPTQ; (ii) the maximum capacity of the Group of 200 MW can satisfy the indicated purchase order of solar cells; and (iii) the selling price is reference to the PV Insight market price and comparable to that of the Independent Third Parties, we are of the view that the basis adopted to determine the Category C Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

IV. *Supply of materials from members of the Enlarged Group to members of EBOD Group*

(i) Background and terms

On 16 November 2012, CMTST, a member of the Target Group and LPTQ, a member of the EBOD Group entered into an agreement for provision of processing service from CMTST to LPTQ (the "**Processing Service Agreement**"), whereby CMTST will process the solar cells provided by LPTQ into solar modules.

As set out in the Board Letter, the term of the Processing Service Agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015.

The provision of processing services will be provided on normal commercial terms, in the absence of specific official price for similar services and sufficient comparable transactions to assess whether they are on normal commercial terms, which terms will be no less favourable than the terms available to Independent Third Parties. Pursuant to the Processing Service Agreement, the unit price is RMB2.4 per watt for the processing services, which is determined by reference to price offered by the Target Group to Independent Third Parties.

We are given to understand from the Company that the pricing of the transactions will be agreed after available and comparable agreements of the Independent Third Parties are reviewed and compared by the management. We have reviewed and compared the Processing Service Agreement with a quotation to LPTQ by an Independent Third Party on November 2012 in relation to the provision of procession services and noted that the unit price under the quotation was also RMB2.4 per watt. In light of the limited accessibility of resources for the Company to ensure that the pricing of the transactions to be made upon on, by comparing and quoting from other agreements of the Independent Third Parties, we are of the view that the mechanism of the pricing principles of the Company is sound and effective.

Having considered that (i) the principal activities of the Group and LPTQ; (ii) the Processing Service Agreement was entered into before EBOD has become a connected person of the Company; (iii) the unit price under the Processing Service Agreement is same as that of the Independent Third Party; and (iv) the provision of processing services will be provided on normal commercial terms, in the absence of specific official price for similar services and sufficient comparable transactions to assess whether they are on normal commercial terms, which terms will be no less favourable than the terms available to Independent Third Parties, we are of the view that the terms of the Processing Service Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Proposed Annual Caps

As set out in the Board Letter, the proposed Annual Caps (the "**Category D Annual Caps**") for those Continuing Connected Transactions involving provision of processing services to members of EBOD Group from members of the Target Group (the "**Category D CCT**") for each of the three financial years ending 31 December 2013, 2014 and 2015 is RMB160,000,000.

In determining the Category D Annual Caps, the Board has taken into account:

1. the historical transaction amount of the Category D Annual Caps;

2. the Processing Service Agreement;

3. the anticipated growth of solar energy industry in the PRC in the coming three financial years ending 31 December 2015; and

4. the planned generating capacity of solar power plants to be launched by the PRC authorities under the Golden Sun Program.

The total transaction amount of the Continuing Category D CCT from members of the Target Group for the financial years ended 31 December 2010, 31 December 2011 and the six months ended 30 June 2012 were nil, nil and RMB801,900, respectively.

Pursuant to the Processing Service Agreement, a total of 200 MW solar cells will be processed at unit price of RMB2.4 per watt for the three financial years ending 31 December 2015. The total transaction amount under the Processing Service Agreement is RMB480,000,000. The Category D Annual Caps of RMB160,000,000 is the average transaction amount for each year ending 2013, 2014 and 2015 under the Processing Service Agreement.

As advised by the Company, the amount of 200 MW solar cells is an indicated order by LPTQ. LPTQ has successfully obtained the certificates issued by the China Quality Certification Centre in respect of its manufacturing of poly solar modules, such solar modules with the certification can be supplied to solar power plant project that are eligible for the Golden Sun Program. In 2013, LPTQ has signed a supply agreement to a mainland company to provide 20MW modules under the Golden Sun program requirement. LPTQ outsources the processing services to CMTST to utilize the production capacity of CMTST with a view to capture the growing opportunities in the solar power plant projects promoted by the Golden Sun Program. The unit price of 2.4 watt is comparable to the unit price of the processing services transactions entered between LPTQ and the Independent Third Party.

Having considered that the abovementioned, we are of the view that, with the support of the Golden Sun program, the purchase estimation of a total of 200MW solar cells in the coming three years ending 31 December 2015 as well as the other basis adopted to determine the Category D Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

3. *Recommendation*

Having considered the above-mentioned principal factors and reasons, we consider (i) the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions and the terms thereof are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Continuing Connected Transactions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the years ended 31 December 2012, 2011 and 2010, together with the accompanying notes to the financial statements, can be found on pages 33 to 96 of the annual report of the Company for the year ended 31 December 2012, pages 31 to 94 of the annual report of the Company for the year ended 31 December 2011, and pages 32 to 92 of the annual report of the Company for the year ended 31 December 2010, respectively. The said reports are available on the website of the Stock Exchange as follows:

http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0407/LTN201104071089.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0417/LTN20120417780.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0425/LTN20130425969.pdf

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



羅兵咸永道

10 May 2013

The Directors
Goldpoly New Energy Holdings Limited

Dear Sirs,

We report on the financial information of China Merchants New Energy Holdings Limited (formerly known as Sinofield Group Limited, the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated and company statements of financial position of the Target Company as at 31 December 2010, 2011 and 2012, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Company for each of the years ended 31 December 2010, 2011 and 2012 (the "Relevant Years") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Goldpoly New Energy Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 10 May 2013 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands ("BVI") on 8 February 2007 as a company with limited liability under the BVI Business Companies Act, 2004.

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

The consolidated financial statements of the Target Company for the year ended 2010, 2011 and 2012 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company pursuant to separate terms of engagement with the Target Company. The audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1(iii) of Section II.

The directors of the Target Company have prepared the consolidated financial statements of the Target Company for the Relevant Years, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the

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"Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement.

The directors of the Target Company during the Relevant Years are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2012.

REPORTING ACCOUNTANT'S RESPONSIBILITY

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

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 December 2010, 2011 and 2012 of the Target Group's results and cash flows for the Relevant Years then ended.

EMPHASIS OF MATTER

We draw attention to Note 2 of section II of the consolidated financial information, which states that the Target Group incurred net loss of RMB728,000 and RMB34,765,000 for the years ended 31 December 2011 and 2012, as well as net operating cash outflows of RMB647,000 and RMB54,936,000 for the years ended 31 December 2011 and 2012, respectively; and the Target Group's current liabilities exceeded its total current assets by RMB5,405,000, RMB4,826,000, and RMB1,420,825,000 as of 31 December 2010, 2011 and 2012. These, along with other matters as described in Note 2 of section II of the consolidated financial information, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Target Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of China Merchants New Energy Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group") prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and for each of the years ended 31 December 2010, 2011 and 2012 (the "Financial Information").

(A) Consolidated statements of financial position

		As at 31 December		
		2010	**2011**	**2012**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Land use rights	*6*	—	—	518
Property, plant and equipment	*7*	5,909	5,267	1,514,192
Intangible assets	*8*	—	—	103,793
Deposits for investments	*26*	—	—	18,902
		5,909	5,267	1,637,405
Current assets				
Inventories	*10*	4,421	23,511	9,479
Trade, other receivables and prepayments	*11*	21,621	62,270	51,239
Cash and cash equivalents	*12*	3,115	2,395	40,393
		29,157	88,176	101,111
Total assets		35,066	93,443	1,738,516
Equity and liabilities				
Equity attributable to owners of the Target Company				
Share capital and premium	*13*	1	1	186,607
Other reserves	*15*	1,014	1,679	63,767
Accumulated losses		(511)	(1,239)	(35,737)
		504	441	214,637
Non-controlling interests		—	—	1,943
Total equity		504	441	216,580

		As at 31 December		
		2010	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Current liabilities				
Trade and other payables	*16*	34,499	92,972	721,906
Current income tax liabilities		63	30	30
Borrowings	*17*	—	—	800,000
		34,562	93,002	1,521,936
Total liabilities		34,562	93,002	1,521,936
Total equity and liabilities		35,066	93,443	1,738,516
Net current liabilities		(5,405)	(4,826)	(1,420,825)
Total assets less current liabilities		504	441	216,580

(B) Statements of financial position

		As at 31 December		
		2010	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment		—	—	37
Deposits for investments	*26*	—	—	18,902
Investments in subsidiaries	*9*	5,946	24,352	147,892
		5,946	24,352	166,831
Current assets				
Trade and other receivables	*11*	1	1	48,774
Cash and cash equivalents	*12*	6	18	8,264
		7	19	57,038
Total assets		5,953	24,371	223,869
Equity and liabilities				
Equity attributable to owners of the Target Company				
Share capital and premium	*13*	1	1	186,607
Other reserves	*15*	1	(3)	59,583
(Accumulated losses)/retained earnings		(18)	197	(22,375)
Total equity		(16)	195	223,815
Liabilities				
Current liabilities				
Trade and other payables	*16*	5,969	24,176	54
		5,969	24,176	54
Total liabilities		5,969	24,176	54
Total equity and liabilities		5,953	24,371	223,869
Net current (liabilities)/assets		(5,962)	(24,157)	56,984
Total assets less current liabilities		(16)	195	223,815

(C) Consolidated Income statements

		Year ended 31 December		
		2010	**2011**	**2012**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	44,967	60,144	8,883
Cost of sales	*20*	(40,759)	(57,235)	(11,168)
Gross profit/(loss)		4,208	2,909	(2,285)
Distribution costs	*20*	(344)	(1,240)	(160)
Administrative expenses	*20*	(1,865)	(2,280)	(31,628)
Other losses — net	*18*	(265)	(123)	(722)
Operating profit/(loss)		1,734	(734)	(34,795)
Finance income	*21*	10	6	63
Finance costs	*21*	—	—	(33)
Finance income — net		10	6	30
Profit /(loss) before income tax		1,744	(728)	(34,765)
Income tax expense	*22*	(63)	—	—
Profit/(loss) for the year		1,681	(728)	(34,765)
Profit/(loss) for the year attributable to				
Owners of the Target Company		1,681	(728)	(34,498)
Non-controlling interests		—	—	(267)
		1,681	(728)	(34,765)
Earnings/(loss) per share attributable to owners of the Target Company during the year				
— Basic and diluted *(in RMB)*	*29*	N/A	N/A	N/A

(D) Consolidated statements of comprehensive income

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year	1,681	(728)	(34,765)
Other comprehensive income for the year			
Currency translation differences, net of tax	217	665	79
Total comprehensive income/(loss) for the year	1,898	(63)	(34,686)
Total comprehensive income/(loss) attributable to:			
Owners of the Target Company	1,898	(63)	(34,419)
Non-controlling interests	—	—	(267)
Total comprehensive income/(loss) for the year	1,898	(63)	(34,686)

(E) Consolidated statements of changes in equity

	Attributable to owners of the Target Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for share award *RMB'000*	Share based payment reserve *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010	1	—	—	—	797	(2,192)	(1,394)	—	(1,394)
Comprehensive income:									
Profit for the year	—	—	—	—	—	1,681	1,681	—	1,681
Currency translation differences	—	—	—	—	217	—	217	—	217
Total comprehensive income	—	—	—	—	217	1,681	1,898	—	1,898
At 31 December 2010	1	—	—	—	1,014	(511)	504	—	504
At 1 January 2011	1	—	—	—	1,014	(511)	504	—	504
Comprehensive income/(loss):									
Loss for the year	—	—	—	—	—	(728)	(728)	—	(728)
Currency translation differences	—	—	—	—	665	—	665	—	665
Total comprehensive income/(loss)	—	—	—	—	665	(728)	(63)	—	(63)
At 31 December 2011	1	—	—	—	1,679	(1,239)	441	—	441
At 1 January 2012	1	—	—	—	1,679	(1,239)	441	—	441
Comprehensive income/(loss):									
Loss for the year	—	—	—	—	—	(34,498)	(34,498)	(267)	(34,765)
Currency translation differences	—	—	—	—	79	—	79	—	79
Total comprehensive income/(loss)	—	—	—	—	79	(34,498)	(34,419)	(267)	(34,686)
Transaction with owners:									
Issuance of ordinary shares *(Note 13)*	34,825	151,781	—	—	—	—	186,606	—	186,606
Shares held for share award *(Note 13)*	—	(1,583)	1,583	—	—	—	—	—	—
Share-based payment reserve *(Note 14)*	—	—	—	18,997	—	—	18,997	—	18,997
Deemed contribution from shareholders *(Note 15(a))*	—	—	—	—	40,712	—	40,712	—	40,712
Transaction with non-controlling interests *(Note 15(b))*	—	—	—	—	2,300	—	2,300	2,210	4,510
Total transaction with owners	34,825	150,198	1,583	18,997	43,012	—	248,615	2,210	250,825
As at 31 December 2012	34,826	150,198	1,583	18,997	44,770	(35,737)	214,637	1,943	216,580

(F) Consolidated statements of cash flows

		Year ended 31 December		
		2010	2011	2012
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from/(used in) operations	*24*	6,461	(647)	(54,936)
Income tax paid		(63)	—	—
Net cash generated from/(used in) operating activities		6,398	(647)	(54,936)
Cash flows from investing activities				
Acquisition of assets, including cash acquired	*15(a)(ii), 27*	—	—	30,542
Purchases of property, plant and equipment		(3,791)	(79)	(12,882)
Deposits for investments	*26*	—	—	(18,902)
Interest received	*21*	10	6	63
Net cash used in investing activities		(3,781)	(73)	(1,179)
Cash flows from financing activities				
Issue of ordinary shares	*13*	—	—	79,603
Other borrowings		—	—	60,000
Repayment of borrowings		—	—	(50,000)
Contributions from non-controlling interests	*15(b)*	—	—	4,510
Net cash generated from financing activities		—	—	94,113
Net increase/(decrease) in cash and cash equivalents		2,617	(720)	37,998
Cash and cash equivalents at beginning of the year		498	3,115	2,395
Cash and cash equivalents at end of the year	*12*	3,115	2,395	40,393

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

(i) General information of the Target Group

China Merchants New Energy Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group") are principally engaged in the provision of solar energy products and solutions and development of solar plants.

The Target Company is a limited liability company incorporated in the British Virgin Islands ("the BVI"). The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

Pursuant to a resolution passed by the shareholders of the Target Company on 2 April 2012, the name of the Target Company was changed to China Merchants New Energy Holdings Limited from Sinofield Group Limited.

The Financial Information of the Target Group is presented in Renminbi ("RMB"), unless otherwise stated.

(ii) Group Restructuring

An acquisition activity had been undertaken by the Target Group with its shareholder for the development of the solar business undertaken by the Target Group.

On 15 January 2012, the Target Company entered into an agreement with China Technology Development Group Corporation (which was renamed as Renewable Energy Trade Board Corporation, "EBOD", on 24 October 2012), its then sole controlling shareholder, for the acquisition of EBOD's entire equity interests held in Faster Assets Limited ("Faster Assets"), a BVI company, together with its wholly-owned subsidiary, China Merchants Zhangzhou Development Zone Broad Shine Solar Technology Ltd ("CMBSS"), which was incorporated under the laws of the People's Republic of China ("PRC") (collectively, the "Acquisitions") for a consideration of US$1. Upon the completion of the Acquisitions, the Target Company became the immediately holding company of Faster Assets on 15 January 2012. Prior to the Acquisitions, Faster Assets and CMBSS only held certain property, plant and equipment and they did not engage in any substantial operations. Accordingly, the Acquisitions have been accounted for as an acquisition of assets (Note15(a)(ii)).

(iii) Acquisition of Asset Groups in Power Business

On 24 December 2012, a wholly-owned subsidiary of the Target Company acquired 100% of the registered capital of Zhongli Photovoltaic Changzhou Co., Ltd. ("Zhongli Changzhou") from Zhongli Photovoltaic Science and Technology Group Co., Ltd ("Zhongli Talesun") and a subsidiary of Zhongli Science and Technology Group Co., Ltd ("Zhongli Group"), both are subsidiaries of a shareholder of China Merchants New Energy Group Limited ("CMNEG"), a substantial shareholder of EBOD (collectively defined as the "Transferors"), for a consideration of RMB10 million (collectively, the "Zhongli Acquisitions"). The Target Company then became the holding company of Zhongli Changzhou on 24 December, 2012. Zhongli Changzhou holds two subsidiaries, namely Zhongli Gonghe Photovoltaic Power Co., Ltd ("Zhongli Gonghe") and Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd ("Zhongli Jiayuguan"). Zhongli Jiayuguan and Zhongli Gonghe are both engaged in the construction of a solar power plant of electricity generation capacity amounting to approximately 100 Mega Watt ("MW") and 20MW, respectively as at the date of the Zhongli Acquisitions. Accordingly, such acquisitions have been accounted for as acquisitions of assets (Note 27).

Taking into account the effect of the Acquisitions, as at the end of each reporting period, the Target Company had equity interests in the following subsidiaries:

Name	Place and date of incorporation	Principal activities	Issued/Paid up capital as at 31 December			Interests held as at 31 December		
			2010	2011	2012	2010	2011	2012
Directly held:								
China Merchants Zhangzhou Development Zone Trendar Solar Tech Ltd. ("CMTST") (a), (d)	The PRC/22 December 2006	Production and sales of solar modules, development of the solar technology, comprehensive utilisation and transfer of the technological achievements and the design and installation of the solar power system	HK$7,000,000	HK$30,000,000	HK$32,750,000	100%	100%	91.6%
Faster Assets (e)	BVI/3January 2007	Investment holding	US$1	US$1	US$1	100%	100%	100%
China Technology New Energy Ltd. ("CTNE") (e)	BVI/8 January 2008	Possession of exclusive rights in developing rooftop solar plants	US$1	US$1	US$1	—	—	100%
Indirectly held:								
CMBSS (b), (d)	The PRC/25 June 2007	Provision of management services on plant and properties	HK$15,000,000	HK$15,000,000	RMB13,710,000	100%	100%	91.6%
Xiamen Chuangri New Energy Technology Ltd. (c), (d)	The PRC/26 August 2011	Development of new energy technology, technical advisory and providing technical services	—	RMB500,000	RMB500,000	—	100%	91.6%
New Light Technology Limited (d)	Hong Kong ("HK")/ 1 September 2009	Provision of administration services to the Target Group	HK$10,000	HK$10,000	HK$10,000	—	—	100%
China Merchants New Energy (Shenzhen) Ltd. ("CMSZ") (d)	The PRC/27 April 2012	Design and installation of solar power systems, research and development of solar power products and solar technology, promotion and transfer of technological achievements, research, development and technical maintenance of energy saving technology and the environmental protection technology, import and export of products and technologies	—	—	HK$35,000,000	—	—	100%

Name	Place and date of incorporation	Principal activities	Issued/Paid up capital as at 31 December			Interests held as at 31 December		
			2010	2011	2012	2010	2011	2012
Sino Delight Developments Limited ("Sino Delight) (e)	BVI/31 May 2012	Investment holding	—	—	US$10,000	—	—	100%
Fortune Wheel Holdings Limited (d)	HK/19 April 2012	Investment holding	—	—	HK$1	—	—	100%
Upper Light Limited (e)	BVI/6 September 2012	Investment holding	—	—	US$10,000	—	—	100%
Profit Giant Holdings Limited (d)	HK/27 September 2012	Investment holding	—	—	HK$10,000	—	—	100%
Tianjin Trendar New Energy Co., Ltd (d)	The PRC/5 November 2012	Design and installation of solar power systems, research and development of solar technology and products, promotion and transfer of technological achievements, research, development and technical maintenance of energy saving technology and environmental technology, import and export of products and technologies	—	—	RMB1,000,000	—	—	100%
Zhongli Changzhou (d)	The PRC/12 June 2012	Investment, construction operation, maintenance and management of solar power plants	—	—	RMB10,000,000	—	—	100%
Zhongli Jiayuguan (d)	The PRC/16 May 2012	Investment, construction operation, maintenance and management of solar power plants	—	—	RMB271,785,558	—	—	100%
Zhongli Gonghe (d)	The PRC/12 September 2012	Investment, construction operation, maintenance and management of solar power plants	—	—	RMB10,000,000	—	—	100%

(a) The statutory financial statements of CMTST for the years ended 31 December 2010 and 2011 were audited by 廈門華誠會計師事務所有限公司 (Xiamen Huacheng Certified Public Accountants Co., Ltd.).

(b) The statutory financial statements of CMBSS for the years ended 31 December 2010 and 2011 were audited by 廈門華誠會計師事務所有限公司 (Xiamen Huacheng Certified Public Accountants Co., Ltd.).

(c) The statutory financial statements of Xiamen Chuangri New Energy Technology Ltd. for the year ended 31 December 2011 were audited by 廈門華誠會計師事務所有限公司 (Xiamen Huacheng Certified Public Accountants Co., Ltd.).

(d) No audited statutory financial statements of these subsidiaries for the year ended 31 December 2012 had been issued as of the date of this report.

(e) No audited financial statements have been prepared for these subsidiaries as these companies are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information of the Target Group has been prepared in accordance Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial information has been prepared under the historical cost convention.

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

2.1.1 *Going concern basis of presentation of financial information*

Going concern basis of preparation

The Target Group reported net current liabilities of RMB5,405,000, RMB4,826,000, RMB1,420,825,000, as of 31 December 2010, 2011 and 2012. In addition, it incurred net losses of RMB728,000 and RMB34,765,000 for the years ended 31 December 2011 and 2012; as well as net operating cash outflow of RMB647,000 and RMB54,936,000 for the years ended 31 December 2011 and 2012, respectively. As at the date of this report, the Target Group also had expected capital expenditures of approximately RMB5.3 billion for its solar energy initiatives, of which approximately RMB2.1 billion is planned to be incurred in the next twelve months from 31 December 2012. Included in this planned amount, approximately RMB41 million represents commitment of the Target Group as at 31 December 2012 and is expected to be incurred in 2013. The rest of the amount had not been contracted. These expected capital expenditures are not fully funded by currently committed financing. The above conditions indicate the existence of material uncertainty which may cost significant doubt on the Target Group's ability to continue as a going concern.

In order to ensure there is sufficient financial resource in order to enable the Target Group to meet its obligations and repay its liabilities as and when they fall due, the directors of the Target Company have been implementing the following measures:

— On 14 November 2012, the Target Company entered into a framework agreement with GCL-Poly Investment Limited ("GCL-Poly Investment"), whereby GCL-Poly Investment or its affiliates will supply wafers or modules at market price up to an amount of RMB5.0 billion for a period of 36 months with trade credit support, subject to definitive agreements to be entered into by the parties thereto.

— As at 31 December 2012, the Target Group had an outstanding balance of approximately RMB575 million due to Zhongli Talesun Photovoltaic Science and Technology Group Co., Ltd. ("Zhongli Talesun") recorded as trade and other payables on its consolidated balance sheet, which mainly arose from the acquisitions of two solar power plant projects undertaken by its two subsidiaries, Zhongli Jiayuguan and Zhongli Gonghe (details described in Notes 1(iii) and 27). In March 2013, Zhongli Talesun agreed to defer the repayment of the full outstanding balance of RMB575 million to 30 June 2014.

— As at 31 December 2012, the Target Group had an outstanding loan balance of RMB900 million (the "Solar Plant Loans"), of which RMB890 million was obtained for financing the construction of the two solar power plants of Zhongli Jiayuguan and Zhongli Gonghe and the remaining balance was obtained for financing the acquisition of Zhongli Changzhou and its wholly-owned subsidiaries, Zhongli Jiayuguan and Zhongli Gonghe. The directors of the Target Company are confident that the outstanding Solar Plant Loans as at 31 December 2012 that are due for repayment in the period ending 31 December 2013 would either be re-financed by other borrowings or be funded by its internally generated funds. The Target Company has also been in the process of negotiating with several banks in the PRC to secure project financing for its existing and planned solar energy initiatives.

  In January 2013, the Target Group had successfully refinanced RMB100 million of the Solar Plant Loans with two short term loans granted by an independent third party. This included a RMB90 million loan, which will be due on 30 June 2014, and another RMB10 million will be due in June 2013. The Target Group expects to settle both the two loans by its internally generated fund or other source of financing.

  In March 2013, the Target Group entered into a long-term loan agreement with China Development Bank (國家開發銀行) for a principal loan amount of RMB800 million for re-financing of the Solar Plant Loans. In April 2013, the Target Group received a partial loan release of RMB400 million from the bank, upon the formal acceptance by the bank on an approval for the on-grid connection system arrangement for electricity to be generated by Zhongli Jiayuguan, as granted by a local branch of State Grid where the solar plant is located. Such RMB400 million loan will be started for repayment by installment from March 2014 onwards. The release of the remaining RMB400 million loan grant will be made by the bank no later than 28 March 2014 (the "Remaining Loan Grant") according to the terms of the agreement. However, the exact timing is subject to negotiation between the Target Group and the bank, as well as the completion status of the other on-grid connection requirements imposed by the PRC government.

  The directors of the Target Company are confident that there will be adequate internally generated funds and other source of financing available; and favourable negotiation results will be reached between the Target Group and the bank on the Remaining Loan Grant so as to enable the Target Group to meet the loan repayment obligations relating to the Solar Plant Loans which will fall due before the end of 31 December 2013.

— In March 2013, China Merchant Group Yinke Investment Management Co., Ltd. (招商局銀科投資管理有限公司, "CM Yinke"), which is a fellow subsidiary of one of the Target Company's shareholder, has issued a letter of conditional financial support to the Target Group in order to enable it meet its liabilities and obligation in connection with its existing and future solar energy business up to a period ending 30 June 2014. The financing is provided to the Target Group for its existing and new solar energy projects undertaken, provided that these projects are expected to generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC. Such assessment has to be made on a project by project basis. The directors of the Target Company are

confident that their existing and future projects would meet the above required conditions and they would be able to obtain the relevant financial support from this related company as and when needed. In addition, the directors have also assessed that the related company possesses adequate financial strength to provide the support.

The directors of the Target Company are of the opinion that, taking into account the above mentioned measures, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months. Accordingly, the consolidated financial information has been prepared on a going concern basis. Nevertheless, there is a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern in relation to whether the Target Group could generate adequate internally generated cash flows, obtain the Remaining Loan Grant, and obtain other forms of refinancing when the repayment obligations of any of the outstanding balance of the Solar Plant Loans falls due in 2013. In addition, there is significant uncertainty as to whether the existing undertaken and future projects planned to be undertaken by the Target Group would meet the prescribed conditions in order to obtain financing from CM Yinke.

Should the Target Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying value of assets to their recoverable amounts, to provide for additional further liabilities that might arise ; and to reclassify non-current assets as current assets. The consolidated financial information does not include any of these adjustments.

2.1.2 ***Changes in accounting policy and disclosures***

The following new standards and amendments to standards have been issued but are not yet effective for the financial periods beginning on or after 1 January 2013 which are applicable to the Target Group:

- HKAS 1 (Amendment) "Presentation of financial statements" require entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently ("Reclassification Adjustments"). The Target Group does not expect HKAS 1 would have material impact to the Target Group and intends to adopt HKAS 1 for its accounting period beginning on 1 January 2013.

- HKAS 19 (Amendment) "Employee benefits" eliminate the corridor approach and calculate finance costs on a net funding basis. The Target Group does not expect HKAS 19 would have material impact to the Target Group and intends to adopt HKAS 19 for its accounting period beginning on 1 January 2013.

- HKAS 27 (revised) "Separate financial statements" includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The Target Group does not expect the new standard would have material impact to the Group and intend to adopt it for its accounting period beginning on 1 January 2013.

- HKAS 28 (revised) "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The standard is not applicable until 1 January 2013 but is available for early adoption. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 7 (Amendment) "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities" require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The standard is not applicable until 1 January 2013 but is available for early adoption. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those

measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statements, unless this creates an accounting mismatch. The Target Group is in the process of assessing full impact of HKFRS 9 and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Target Group intends to adopt HKFRS 10 for its accounting period beginning on 1 January 2013. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 11 "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not applicable until 1 January 2013 but is available for early adoption. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Target Group intends to adopt HKFRS 12 for its accounting period beginning on 1 January 2013. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Target Group intends to adopt HKFRS 13 for its accounting period beginning on 1 January 2013. This new standard is not expected to have a material impact on the Target Group's financial information.

- HKFRS 32 (Amendment) "Financial instruments: Presentation — Offsetting financial assets and financial liabilities" clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of "currently has a legally enforceable right of set-off"; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The standard is not applicable until 1 January 2014 but is available for early adoption. This new standard is not expected to have a material impact on the Target Group's financial information.

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

2.2 Consolidation

(a) ***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Target Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Target Group controls another entity. The Target Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(b) ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) ***Separate financial information***

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

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

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

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "finance income — net". All other foreign exchange gains and losses are presented in consolidated income statements within "other losses — net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) ***The Target Group companies***

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

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

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

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

2.5 Land use rights

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and impairment loss. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

2.6 Property, plant and equipment

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

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

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

Buildings	20 years
Equipment and machinery	10 years to 25 years
Motor vehicles	5 years
Electronic and other equipment	3 years
Furniture and fixtures	3 years

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

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

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

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

2.7 Intangible assets

Intangible assets of the Target Group present exclusive development rights of rooftop solar power plants in the PRC. These acquired exclusive development rights (Note 8) are shown at historical cost. These rights have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of exclusive development rights over their estimated useful lives of 25 years.

2.8 Impairment of non-financial assets

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

2.9 Financial assets

2.9.1 ***Classification***

The Target Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statements of financial position (Notes 2.13 and 2.14).

2.9.2 ***Recognition and measurement***

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

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress manufactured by the Target Group comprise design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer and the normal operating cycle of the business is around 12 months), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Current and deferred income tax

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

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

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

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

Inside basis differences

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

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

Outside basis differences

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

(c) ***Offsetting***

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

2.19 Employee benefits

The Target Group operates the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong which is generally funded through payments to insurance companies under defined contribution plan. It pays contributions to administered pension insurance plans on a mandatory, contractual or voluntary basis. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administrated fund. The Target Group has no further payment obligations once these contributions have been paid. The contributions are recognised as employees benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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

2.20 Share-based payments

Equity-settled share-based payment transactions

The Target Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees and consultants as consideration for equity instruments (options) of the Target Group. The fair value of the employee and consultant services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statements, with a corresponding adjustment to equity.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Target Group recognise revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below. The Target Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sales of goods***

The Target Group manufactures and sells solar energy products in the PRC and Europe. Sales of goods are recognised on the transfer of risks and rewords of ownership, which generally coincided with the time when the goods are delivered to customers and title has passed. The Target Group recognises revenue from sales of goods on a gross basis when it acts as a principal. When the Target Group is acting as an agent, revenue is presented at net. Whether the Target Group acts as a principal in a transaction is determined based on several criteria, including whether it is a primary obligor, whether it is subject to inventory risk, whether it has latitude in establishing prices and selecting suppliers, whether it bears the customer's credit risk, or has several but not all of these indicators.

(b) ***Sale of electricity***

Revenue arising from the sales of electricity is recognised in accounting period when electricity is provided.

(c) ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Target Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(d) ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to an asset are included in non-current liabilities as deferred government grants and are credited to the consolidated income statements on a straight- line basis over the expected useful lives of the related asset.

2.23 Research and development

Costs associated with research expenditure are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of new or improved products controlled by the Target Group are recognised as intangible assets when the following criteria are met:

(1) It is technically feasible to complete the new or improved products so that it will be available for use;

(2) Management intends to complete the new or improved products and use or sell it;

(3) There is an ability to use or sell the new or improved products;

(4) It can be demonstrated how the new or improved products will generate probable future economic benefits;

(5) Adequate technical, financial and other resources to complete the development and to use or sell the new or improved products are available; and

(6) The expenditure attributable to the new or improved products during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the new or improved products include new or improved products development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

New or improved products development costs recognised as assets are amortised over their estimated useful lives.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated income statements on a straight-line basis over the period of the lease.

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) ***Market risk***

(i) *Foreign exchange risk*

The Target Group operates principally in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar (the "HK$"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Target Group manages its foreign exchange risk by performing regular reviews of the Target Group's net foreign exchange exposures and it has not hedged its foreign exchange risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC Government.

The carrying amount of the Target Group and Target Company's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Cash and cash equivalents:			
— HK$	3	1,955	30,528
— United State dollar (the "US$")	10	—	—
Trade and other receivables:			
— HK$	—	35,884	176
— US$	9,409	—	—
	9,422	37,839	30,704

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Trade and other payables:			
— HK$	5,969	24,176	7,548
	5,969	24,176	7,548

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Cash and cash equivalents:			
— HK$	3	18	8,264
— US$	3	—	—
Trade and other receivables:			
— HK$	1	1	48,774
	7	19	57,038

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities			
Trade and other payables:			
— HK$	5,969	24,176	54
	5,969	24,176	54

The following table shows the sensitivity analysis of a 5% increase in rate of exchange of RMB against HK$ and US$. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the years end for a 5% change in foreign currency rates. If there is a 5% increase in exchange rate of RMB against the HK$ and US$, the effects in the result are as follows:

Target Group

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
HK$	298	(683)	(1,158)
US$	(471)	—	—
Increase in loss for the year	(173)	(683)	(1,158)

Target Company

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
HK$	298	1,208	(2,849)
US$	—	—	—
Increase in loss for the year	298	1,208	(2,849)

In the case of a 5% decrease in rate of exchange of RMB against HK$ and US$, there will be an equal but opposite effect to the amounts shown above.

(ii) *Interest rate risk*

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

(b) ***Credit risk***

The credit risk of the Target Group mainly arises from cash and cash equivalents, and trade and other receivables (except for prepayments to suppliers). The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets.

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

For trade and other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is not significant. Further disclosures on credit risk are set out in Note 11.

(c) ***Liquidity risk***

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

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

Target Group

	Less than 1 year *RMB'000*
As at 31 December 2010	
Trade and other payables (excluding other taxes payable, advance from customers, accrued payroll expenses)	34,060
	34,060
As at 31 December 2011	
Trade and other payables (excluding other taxes payable, advance from customers, accrued payroll expenses)	74,069
	74,069
As at 31 December 2012	
Borrowings	800,000
Interest on borrowings	93,775
Trade and other payables (excluding other taxes payable, advance from customers, accrued payroll expenses)	707,393
	1,601,168

Target Company

	Less than 1 year *RMB'000*
At 31 December 2010	
Trade and other payables (excluding other taxes payables, advance from customers and accrued payroll expenses)	5,969
	5,969
At 31 December 2011	
Trade and other payables (excluding other taxes payables, advance from customers and accrued payroll expenses)	24,176
	24,176
At 31 December 2012	
Trade and other payables (excluding other taxes payables, advance from customers and accrued payroll expenses)	19
	19

Please also refer to Note 2.1.1 for the assessment of directors of the Target Company on liquidity risks of the Target Company which affect the going concern presentation of its financial information as of 31 December 2012.

3.2 Capital risk management

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

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

The Target Group monitors capital using a gearing ratio, this ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "Borrowings" as shown in the consolidated statements of financial position and loan due to a third party as show in Note 16 and Note 17) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Target Group's policy is to keep the gearing ratio at a level not exceeding the thresholds specified in any of the bank borrowing covenants.

The Target Group has no borrowings as at 31 December 2010 and 2011, and the gearing ratios at 31 December 2012 were as follows:

	As at 31 December 2012 *RMB'000*
Bank borrowings *(Note 17)*	800,000
Loan due to a third party *(Note 16, 27(a)(2))*	100,000
Total borrowings	900,000
Less: cash and cash equivalents *(Note 12)*	(40,393)
Net debt	859,607
Total equity	216,580
Total capital	1,076,187
Gearing ratio	80%

3.3 Fair value estimation

In 2010, 2011 and 2012, all financial assets held by the Target Group are loans and receivables.

The carrying amounts of the Target Group's financial assets including cash and bank balances, trade receivables, other receivables and deposits, and financial liabilities including trade payables, other payables, approximate their fair values due to their short maturities. The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

3.4 Financial instruments by category

Target Group

	Financial assets — loans and receivables As at 31 December		
	2010 *RMB'000*	**2011** *RMB'000*	**2012** *RMB'000*
Trade and other receivables (excluding prepayments, prepaid input value added tax and value added tax refund)	12,208	46,197	44,279
Cash and cash equivalents	3,115	2,395	40,393
	15,323	48,592	84,672

	Financial liabilities — other financial liabilities at amortised cost As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables (excluding other taxes payables, advance from customers and accrued payroll expenses)	34,060	74,069	707,393
Borrowings	—	—	800,000
	34,060	74,069	1,507,393

Target Company

	Financial assets — loans and receivables As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables (excluding prepayments)	1	1	48,774
Cash and cash equivalents	6	18	8,264
	7	19	57,038

	Financial liabilities — other financial liabilities at amortised cost As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables (excluding other taxes payables, advance from customers and accrued payroll expenses)	5,969	24,176	54
	5,969	24,176	54

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Useful lives of property, plant and equipment

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

4.2 Useful lives of intangible assets

The directors of the Target Group determine the estimated useful lives and related amortisation charges for its intangible assets. The Target Group's intangible assets are the exclusive development rights, which have a finite useful life of 25 years, which is equal to the contractual period of the relevant rights. The estimate might change significantly as a result of any events or changes in the execution of contracts. Management will increase the amortisation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4.3 Cost of intangible assets

The intangible assets of the Target Group comprise an exclusive development right of rooftop solar energy plants which were acquired through issuing certain ordinary shares of the Target Company to a shareholder (Notes 8 and 13(1)). The fair value of the rights at the time of inception was assessed according to the fair value of the shares of the Target Company issued in exchange for such rights, since their fair values could be referenced to another share issuance transaction executed with a third party for cash (Note 13(2)) and were assessed by the directors of the Target Company to be more reliable.

4.4 Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimation at each balance sheet date.

4.5 Provision for impairment of trade and other receivables

The Target Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying values of receivables and provision for impairment losses in the period in which such estimate has been changed.

4.6 Fair value of call options

As described in Note 13(2)(f), if the Target Group fails to own and operate photovoltaic solar energy facilities in China with an aggregate nominal installed capacity of no less than 180MW in 3 years and also fails to satisfy other set out conditions, the Target Company shall issue and allot additional number of ordinary shares of the Target Company to GCL-Poly Investment (''call options''). The directors of the Target Group had made an assessment with respect to the existing and future electricity generating capacity of its solar energy facilities and concluded that it would fulfill the conditions, after considering (i) the Target Group owns and operates solar energy facility in China with an existing capacity of 2.1MW as at 31 December 2012; (ii) the Target Group acquired two additional solar power plants with an expected electricity generating capacity of 120MW in December 2012 and (iii) the business plan of the Target Group which involves capital expenditure of approximately RMB3.8 billion to be incurred on certain solar power plant projects with a total expected electricity generating capacity of 451MW by 30 April 2014. Accordingly, the fair value of the call options in relation to the grant of an option to issue additional ordinary shares of the Target Company was assessed to be insignificant as of 31 December 2012. This estimate might change significantly as a result of any events or changes if there are significant changes in the investment and development plans of the Target Group in its solar power facilities. The respective interests of the existing shareholders of the Target Company would be adversely affected if additional shares of the Target Company had to be allotted to GCL-Poly Investment at no consideration. Pursuant to an agreement dated 22 November 2012 entered into among all the shareholders of the Target Company, the right of the call options shall cease to be effective on certain condition as set out in Note 13(2)(f).

4.7 Acquisition of Asset Groups in Power Business

As described in Notes 1(iii) and 27, as of the date of Zhongli acquisition, the construction of the 100MW and 20MW solar power plants of Zhongli Jiayuguan and Zhongli Gonghe had not been completed and the electricity to be generated by Zhongji Jiayuguan and Zhongli Gonghe upon completion could only be connected to the State Grid upon obtaining the approval of the relevant government authorities. Because of the uncertainty involved in whether Zhongli Jiayuguan and Zhongli Gonghe could obtain the necessary approvals in order to enable them to produce outputs with financial returns, the directors consider that this transaction should be accounted for as an acquisition of assets instead of a business combination.

5 SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker has been identified as the board of directors of the Target Group. The board of directors reviews the Target Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2010 and 2011, the directors consider that the Target Group's operations are operated and managed as a single segment, operating of solar energy products and solution, collectively defined as the Solar business, so no separate segment information was presented for the two years. During the year ended 31 December 2012, the Target Group began a new business segment in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems, defined as the Power business. As a result, for the year ended 31 December 2012, there are two operating segments, Solar business and Power business. Other operations include corporate functions managed by the Target Group management.

As at 31 December 2010, 2011 and 2012, all of the Target Group's land use rights, property, plant and equipment are located in the PRC.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Year ended 31 December 2012			
	Solar business	**Power business**	**Corporate function**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,760	123	—	8,883
Gross (loss)/profit	831	(3,116)	—	(2,285)
Operating loss	(4,293)	(7,922)	(22,580)	(34,795)
Finance costs — net	10	49	(29)	30
Loss attributable to shareholders	(4,283)	(7,873)	(22,609)	(34,765)
Other Information:				
Depreciation and amortisation	(2,048)	(3,246)	(4)	(5,298)
Capital expenditure	(11)	(1,488,847)	—	(1,488,858)

	As 31 December 2012			
	Solar business	**Power business**	**Corporate function**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	66,459	1,637,502	34,555	1,738,516
Total liabilities	25,144	1,489,450	7,342	1,521,936

For the years ended 31 December 2010, 2011 and 2012, the Target Group's top two customers aggregate contributed over 60%, 98% and 98% of the revenue. The revenue contributed by these customers amounted to RMB26,849,000, RMB58,645,000, RMB8,682,000 for the years ended as at 31 December 2010, 2011 and 2012, respectively.

The Target Group's revenue by geography is analyzed as below:

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
The PRC — as a principal	17,340	11,532	6,602
— as an agent *(Note)*	—	—	2,281
HK — as a principal	27,627	48,612	—
	44,967	60,144	8,883

Note: For the year ended 31 December 2012, the Target Group sold solar modules to Goldpoly (Quanzhou) Science & Technology Industry Company Limited ("GPQST"), a related party of a shareholder. The gross billing amount was RMB106,852,000. These solar modules were purchased from Linsun Power Technology (Quanzhou) Corporation Limited ("LPTQ"), a related party of the Company amounting to RMB104,571,000. The directors are of the view that the Target Group acted as an agent in the transaction and presented the revenues derived from these transactions at a net basis amounting to RMB2,281,000.

6 LAND USE RIGHTS — TARGET GROUP

The Target Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	—	—
Acquisition of a subsidiary *(Note 15 (a)(ii))*	—	—	530
Amortisation *(Note 20)*	—	—	(12)
At end of year	—	—	518

The Target Group is in the process of applying for the land use right certificates with an aggregate carrying amount of approximately RMB518,000 as at 31 December 2012. The board of directors of the Target Group is confident that they would be granted the certificates and there would not be material adverse impact on the Target Group.

Amortisation charge of RMB12,000 was included in the administrative expenses for the year ended 31 December 2012.

The Target Group's land use rights are situated in the PRC and their respective land use rights were granted by government for periods of 50 years from the respective dates of grant. The remaining lease period of land use right as at 31 December 2012 was 45 years.

7 PROPERTY, PLANT AND EQUIPMENT — TARGET GROUP

	Buildings	Equipment and machinery	Motor vehicles	Electronic and other equipment	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010							
Cost	2,317	30	—	141	255	—	2,743
Accumulated depreciation	(49)	(2)	—	(84)	(251)	—	(386)
Net book amount	2,268	28	—	57	4	—	2,357
Year ended 31 December 2010							
Opening net book amount	2,268	28	—	57	4	—	2,357
Additions	—	3,179	—	75	537	—	3,791
Disposals	—	—	—	—	—	—	—
Depreciation *(Note 20)*	(116)	(19)	—	(47)	(57)	—	(239)
Closing net book amount	2,152	3,188	—	85	484	—	5,909
At 31 December 2010							
Cost	2,317	3,209	—	216	792	—	6,534
Accumulated depreciation	(165)	(21)	—	(131)	(308)	—	(625)
Net book amount	2,152	3,188	—	85	484	—	5,909
Year ended 31 December 2011							
Opening net book amount	2,152	3,188	—	85	484	—	5,909
Additions	—	12	—	32	35	—	79
Depreciation *(Note 20)*	(116)	(285)	—	(48)	(272)	—	(721)
Closing net book amount	2,036	2,915	—	69	247	—	5,267
At 31 December 2011							
Cost	2,317	3,221	—	248	827	—	6,613
Accumulated depreciation	(281)	(306)	—	(179)	(580)	—	(1,346)
Net book amount	2,036	2,915	—	69	247	—	5,267

	Buildings	Equipment and machinery	Motor vehicles	Electronic and other equipment	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012							
Opening net book amount	2,036	2,915	—	69	247	—	5,267
Acquisition of assets *(Note 15(a)(ii), 27)*	21,362	653	27	—	—	1,464,640	1,486,682
Additions	—	22,476	681	54	174	934	24,319
Depreciation *(Note20)*	(1,322)	(420)	(50)	(41)	(243)	—	(2,076)
Closing net book amount	22,076	25,624	658	82	178	1,465,574	1,514,192
At 31 December 2012							
Cost	23,679	26,678	817	302	1,207	1,465,574	1,518,257
Accumulated depreciation	(1,603)	(1,054)	(159)	(220)	(1,029)	—	(4,065)
Net book amount	22,076	25,624	658	82	178	1,465,574	1,514,192

Certificates of ownership in respect of certain buildings of the Target Group with a net carrying amount of approximately RMB20,049,000 as at 31 December 2012, had not yet obtained from the relevant PRC authorities. The Target Group is in the process of obtaining the relevant certificate. The board of directors of the Target Group is confident that they would be granted the certificates and there would not be material adverse impact on the Target Group.

Construction in progress as at 31December 2012 mainly represents a ground solar photovoltaic power station project constructed in the provinces of Qinghai and Gansu as stated in Note 1(iii). As of the report date, Zhongli Jiayuguan was in the process of applying the connection to State Grid.

In 2012, the Target Group has capitalised borrowing costs amounting to RMB1,467,000 (2011 and 2010: nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 6.55%.

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	51	192	121
Administrative expenses	188	529	1,955
	239	721	2,076

8 INTANGIBLE ASSETS — TARGET GROUP

	Roof-top solar plants exclusive development rights *RMB'000*
For the year ended 31 December 2012	
Opening net book amount	—
Additions	107,003
Amortisation charge *(Note 20)*	(3,210)
Closing net book amount	103,793
As at 31 December 2012	
Cost	107,003
Accumulated amortisation	(3,210)
Net book amount	103,793

The intangible assets as at 31 December 2012 mainly represented the exclusive rights to develop solar power plants on warehouse rooftops of three enterprises which are subsidiaries of China Merchants Group, one of the major shareholders of CMNEG (the "Exclusive Development Rights"). The Target Group can develop solar power plants for a period of 25 years with a capacity of 180MW in aggregate and the total area of warehouse rooftops is about 1,220,000 square meters. These three enterprises will use the power generated from the solar plants on the rooftop developed by the Target Group.

On 2 April 2012, the Exclusive Development Rights were transferred from CMNEG to the Target Company as a consideration for CMNEG to subscribe for 220 ordinary shares of the Target Company.

According to the valuation report performed by an independent valuer, the fair value of the Exclusive Development Rights as at 31 December 2011 was initially assessed to be approximately HK$189,706,000 (equivalent to RMB155,000,000). Nevertheless, the final agreed price of the Exclusive Development Rights between the CMNEG and the Target Company for the exchange of certain ordinary shares of the Target Company was HK$132,000,000 (equivalent to RMB107,003,000) ("Share Issuance Value") as at 2 April 2012, which is the date of completion of the transaction. Due to the fact that the fair value of the subscribed shares could be referenced to other similar shares issuance undertaken by the Target Group (Note 13(2)), the directors of the Target Group consider the Share Issuance Value is more reliable to be adopted as fair value of the Exclusive Development Rights exchanged.

Amortisation of RMB3,210,000 during the year ended 31 December 2012 was included in "cost of sales".

The directors of the Target Company are of the view that there was no impairment loss associated with the Exclusive Development Rights as at 31 December 2012.

9 INVESTMENTS IN SUBSIDIARIES — TARGET COMPANY

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	6,163	5,946	24,352
Acquisition of subsidiaries *(Notes 13(1), 15(a)(ii), 27)*	—	—	123,568
Additional capital injection	—	19,075	—
Exchange difference	(217)	(669)	(28)
At end of year	5,946	24,352	147,892

As at 31 December 2010, 2011 and 2012, the list of subsidiaries which the Target Company had equity interests was disclosed in Note 1(iii).

10 INVENTORIES — TARGET GROUP

	As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	4,008	8,587	8,790
Work in progress	242	1,213	689
Finished goods	171	13,711	—
Inventories — net	4,421	23,511	9,479

The cost of inventories recognised as the Target Group's expenses and included in "cost of sales" amounted to RMB38,569,000, RMB54,196,000, and RMB6,244,000, for the years ended 31 December 2010, 2011 and 2012, respectively (Note 20).

11 TRADE, OTHER RECEIVABLES AND PREPAYMENTS — TARGET GROUP AND TARGET COMPANY

Target Group

	As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Trade receivables due from related parties *(Note 28(b))*	9,409	43,552	—
Trade receivables due from third parties	20	149	149
	9,429	43,701	149
Other receivables and prepayments			
Prepaid input value added tax	3,981	9,434	281
Value added tax refund	—	6,404	—
Prepayments to suppliers	5,432	235	679
Deposits receivable (a)	13	13	10,034
Balances due from related parties *(Note 28(b))*	2,000	2,397	39,647
Receivables from third parties	766	86	449
	12,192	18,569	51,090
Total trade, other receivables and prepayments	21,621	62,270	51,239

(a) As at 31 December 2012, deposits receivable mainly represent a guarantee deposit of RMB10 million paid to a government authority in Jiayuguan for the construction of the solar power plant of Zhongli Jiayuguan. The amount would be refundable in cash to the Target Group upon completion of construction of the plant.

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
Balance due from related parties *(Note 28(b))*	—	1	48,773
Receivables from third parties	1	—	1
Total trade and other receivables	1	1	48,774

The credit term granted by the Target Group ranges from cash on delivery to 365 days. The aging analysis of the trade receivables based on invoice dates is as follows:

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	9,429	7,669	—
3 to 6 months	—	34,057	—
Over 6 months	—	1,975	149
Trade receivables — total	9,429	43,701	149

As at 31 December 2010, 2011 and 2012, trade receivables were neither past due nor impaired.

The carrying amounts of trade, other receivables and prepayments are denominated in the following currencies:

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
RMB	12,212	26,386	51,063
US$	9,409	—	—
HK$	—	35,884	176
	21,621	62,270	51,239

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
HK$	1	1	48,774

The carrying amounts of trade, other receivables and prepayments approximated their fair values as at 31 December 2010, 2011 and 2012.

12 CASH AND CASH EQUIVALENTS — TARGET GROUP AND TARGET COMPANY

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	3,115	2,395	21,338
Short-term bank deposits	—	—	19,055
	3,115	2,395	40,393

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	6	18	8,264

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
HK$	3	1,955	30,528
US$	10	—	—
RMB	3,102	440	9,865
	3,115	2,395	40,393

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
HK$	3	18	8,264
US$	3	—	—
	6	18	8,264

13 SHARE CAPITAL AND PREMIUM — TARGET GROUP AND TARGET COMPANY

	Number of shares	Issued share capital *RMB'000*	Share premium *RMB'000*	Share held for share award *RMB'000*	Total *RMB'000*
At 1 January 2010, 31 December 2010, 2011 and 1 January 2012	100	1	—	—	1
Share issuance:					
— issuance of shares to investors *(Notes (1), (2), (3))*	340	2	186,604	—	186,606
— sub-division of share *(Note (5)(a))*	43,560	—	—	—	—
— shares allotted and share premium transferred *(Notes (5)(b), (c))*	549,956,000	34,823	(34,823)	—	—
Employees' Share Award Scheme:					
— Capitalisation of share premium for shares to be issued for employee incentive scheme ("EIS") *(Note (5)(d))*	25,000,000	1,583	(1,583)	—	—
— shares held for EIS *(Note (5)(d))*	—	(1,583)	—	1,583	—
At 31 December 2012	575,000,000	34,826	150,198	1,583	186,607

On 8 February 2007, the Target Company was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with US$1 each. Upon incorporation of the Target Company, 100 shares were allotted and issued at par to China Green Holdings Limited ("China Green"), a subsidiary of its then sole controlling shareholder, EBOD (defined in Note 1(ii)) on 6 March 2007.

(1) On 27 March 2012, the Target Company entered into an agreement with — CMNEG (defined in Note 1(iii)), the major shareholder of EBOD, whereby CMNEG subscribed 220 ordinary shares from the Target Company in return for transferring 100% equity interest held by CMNEG in CTNE to the Target Company. CTNE (defined in Note 1(iii)) was incorporated in the BVI and it mainly holds the Exclusive Development Rights (Note 8). The subscription was completed on 2 April 2012.

(2) Pursuant to a subscription agreement dated 19 April 2012 (the "Subscription Agreement"), GCL-Poly Investment (defined in Note 2.1.1), a third party, subscribed for 80 ordinary shares of the Target Company at a consideration of HK$48,000,000 (equivalent to RMB38,842,000) under the conditions as described in (a) to (f) below. On the same day, GCL-Poly Investment assigned and transferred all of its rights and obligations under the Subscription Agreement to Ease Soar Limited ("Ease Soar"), a BVI company which is a subsidiary of GCL-Poly Energy Holdings Limited ("GCL-Poly"), a Hong Kong listed company. The subscription was completed on 30 April 2012 (the "Closing Date"). There are certain condition laid down in connection with this share subscription.

(a) The Target Company undertakes to collect all its outstanding receivables from EBOD and its subsidiaries (collectively "EBOD Group") as at 31 December 2011, totalled RMB55,284,000, within 6 months following the Closing Date. As at 31 December 2012, the Target Company had collected the balances from EBOD Group amounting to RMB45,553,000.

(b) Within 2 years after the Closing date, EBOD Group would not demand any payments or makes any claims against the Target Company for the outstanding payable due to EBOD Group amounting to RMB18,379,000 in aggregate. The Target Company also has the right to request to extend the non-repayment period at the end of the 2-year-period. As at 31 December 2012, the Target Company had repaid EBOD Group balances amounting to RMB10,586,000, leaving the aggregate outstanding balance at RMB7,793,000.

(c) If Zhangzhou Development District China Merchants Properties Development Limited ("CM Development"), a related party, and CMNEG demand any payments or makes any claims against the Target Company for the outstanding payable balance of RMB8,247,000 due from the Target Company's subsidiaries, namely, CMBSS (defined in Note 1(ii)) and Faster Assets (defined in Note 1(ii)), EBOD shall settle such balance on behalf of the Target Company and EBOD should waive any of its rights for claims against the Target Company.

(d) Payables of RMB24,176,000 due to EBOD Group by the Target Company shall be waived and treated as equity investment made into the Target Company. As mentioned in Note 15(a)(i), the payables had been waived by EBOD Group on 19 April 2012.

(e) The net profit after tax of CMTST (defined in Note 1(iii)) in accordance with the PRC Generally Accepted Accounting Principles ("GAAP") should not be less than HK$15,000,000 for the year ended 30 April 2013.

If CMTST fails to achieve the prescribed net profit after tax, the Target Company shall sell CMTST to third parties for a consideration of amounting to no less than HK$60,000,000 in 6 months. If the Target Company fails to complete the sale within such time period, GCL-Poly Investment can request EBOD and CMNEG to purchase CMTST at a consideration of no less than HK$60,000,000 ("Put Option").

(f) The Target Group shall own and operate photovoltaic solar energy facilities in China with an aggregate nominal installed capacity of no less than 180MW in 3 years after the Closing Date. In case such requirement cannot be fulfilled, the Target Group should arrange a fair market value assessment of its Exclusive Development Rights.

Should the fair market value of the Exclusive Development Rights be less than HK$189,706,000, the Target Company shall issue and allot additional number of ordinary shares to GCL-Poly Investment at no consideration calculated in accordance with a defined formula specified in Subscription Agreement. The directors of the Target Company had assessed that the value of this call option was insignificant as at 31 December 2012.

The conditions specified in (e) and (f) will be cancelled if the Target Company is valued at no less than HK$400,000,000. In addition, pursuant to a supplemental agreement entered into among all the shareholders of the Target Company on 22 November 2012, all the rights of GCL-Poly Investment described from (a) to (f) would cease to be effective upon the completion of the proposed acquisition of approximately 92% of the equity interest in the Target Company by Goldpoly New Energy Holdings Limited ("Goldpoly").

(3) Pursuant to a subscription agreement dated 19 June 2012, Talesun Solar Hong Kong Limited ("Talesun"), a third party, subscribed for 40 ordinary shares of the Target Company at a consideration of HK$50,000,000 (equivalent to RMB40,761,000). The subscription was completed on 29 June 2012.

(4) Pursuant to an agreement dated 14 May 2012, Profit Icon Investment Limited ("Profit Icon"), a subsidiary of Goldpoly, acquired 36 ordinary shares from China Green, the Target Company's then immediately controlling shareholder, through an allotment of 22,905,621 new ordinary shares of Goldpoly to China Green at the price of HK$0.943 per share. The transaction was completed on 23 May 2012. Pursuant to another sale and purchase agreement dated 14 May 2012, Hyatt Servicing Limited ("Hyatt Servicing"), a third party, acquired 24 ordinary shares from China Green, at a cash consideration of HK$14,400,000 (equivalent to RMB11,798,000). The transaction was completed on 23 May 2012.

(5) On 31 July 2012, the Target Company passed a shareholders' resolution on the following:

(a) The issued common shares with par value of US$1 of the Target Company were subdivided into 100 shares with par value US$0.01 and the total issued ordinary shares of the Target Company at 440 shares was sub-divided into 44,000 shares with a par value of US$0.01 (the "Share Split");

(b) the authorised shares of the Target Company was increased to 2,000,000,000 shares with par value US$0.01 each;

(c) the Target Company transferred share premium of HK$42,896,568 (equivalent to approximately US$5,499,560) to share capital by allotting and issuing 549,956,000 common shares with a par value of US$0.01 each to the then shareholders of the Target Company on a pro rata basis based on their respective shareholding in the Target Company;

(d) an employee incentive scheme was approved (the "EIS") to the effect that 25,000,000 ordinary shares of the Target Company with a par value of US$0.01 each were issued to Sino Arena Investments Limited ("Sino Arena"), a BVI company, by capitalising share premium HK$1,950,000 (equivalent to approximately US$250,000) as share capital. Sino Arena holds 4.35% equity interest of the Target Company as a result and it will hold the shares for and on behalf of eligible persons who are granted the shares according to the provisions of the EIS.

The shares held by Sino Arena were granted to directors, employees and consultants of the Target Group on 31 August 2012, but not yet vested as at 31 December 2012.

Upon completion of these transactions, CMNEG, Ease Soar, Profit Icon, EBOD, Talesun, Hyatt Servicing and Sino Arena held 47.83%, 17.39%, 7.83%, 8.69%, 8.69%, 5.22% and 4.35% equity interests (totally 575,000,000 shares, after Share Split) of the Target Company, respectively.

14 SHARE-BASED PAYMENTS — GROUP AND COMPANY

Shares are granted to directors, employees and consultants (collectively the "Participants") under the EIS. The exercise price of the granted shares is zero. Shares are vested to the employee upon completing three years' services. The Participants will be entitled to 30%, 30% and 40% of the shares granted after completion of each of the three year continuous employment.

Movements in the number of the granted shares outstanding (after Share Split) and their related weighted average exercise prices under the EIS are as follows:

	Year ended 31 December 2012	
	Average exercise price in RMB per share	Shares (thousands)
At 1 January	—	—
Granted	—	25,000
At 31 December	—	25,000

As of 31 December 2012, none of the shares granted was exercisable.

As at 31 December 2012, the outstanding shares have the following vesting date and exercise prices:

Vesting date — 1 July	Exercise price in HK$ per share	Shares (thousands)
2012	—	—
2013	—	7,500
2014	—	7,500
2015	—	10,000
		25,000

The weighted average fair value of the shares granted under EIS in 2012 was determined with reference to the intrinsic value of each share of the Target Company (after Share Split), which was RMB3.91. The intrinsic value of the shares was computed by dividing the fair value of the Target Group as of 31 December 2012 by the total number of issued outstanding shares at 575,000,000 shares. The fair value of the Target Group was determined with reference to the carrying value of the Target Group as of 31 December 2012 amounting to RMB216,580,000, adjusted by the excess of the fair value surplus over the carrying value of property, plant and equipment, as well as intangible assets of the Target Group as of that date amounting to RMB228,544,000 (equivalent to HK$284,288,000) and RMB1,804,703,000 (equivalent to HK$2,244,891,000), respectively. The fair values of (i) the identifiable assets and liabilities and (ii) the intangible assets of the Target Group were determined with reference to valuation reports both dated 10 May 2013 prepared by an independent valuer, American Appraisal China Limited. The fair value of the intangible assets of the Target Group was assessed by using the Adjusted Present Value method under the income approach, and the fair value of the property, plant and equipment of the Target Group was assessed by using both cost approach and market approach, where appropriate. During the year ended 31 December 2012, share-based payment expenses totalling RMB18,997,000 were charged to the income statement in relation to EIS (see Note 20).

15 OTHER RESERVES — TARGET GROUP AND TARGET COMPANY

Target Group

	Capital reserve *RMB'000*	Share based payment reserve *RMB'000*	Currency translation differences *RMB'000*	Total *RMB'000*
At 1 January 2010	—	—	797	797
Currency translation differences	—	—	217	217
At 31 December 2010	—	—	1,014	1,014
At 1 January 2011	—	—	1,014	1,014
Currency translation differences	—	—	665	665
At 31 December 2011	—	—	1,679	1,679
At 31 December 2012	—	—	1,679	1,679
Currency translation differences	—	—	79	79
Share based payment reserve	—	18,997	—	18,997
Deemed contribution from shareholders *(Note (a))*	40,712	—	—	40,712
Transaction with non-controlling interests *(Note (b))*	2,300	—	—	2,300
At 31 December 2012	43,012	18,997	1,758	63,767

Target Company

	Capital reserve	Share based payment reserve	Currency translation differences	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	—	—	—	—
Currency translation differences	—	—	1	1
At 31 December 2010	—	—	1	1
At 1 January 2011	—	—	1	1
Currency translation differences	—	—	(4)	(4)
At 31 December 2011	—	—	(3)	(3)
At 1 January 2012				
Currency translation differences	—	—	(123)	(123)
Share based payment reserve	—	18,997	—	18,997
Deemed contribution from shareholders *(Note (a))*	40,712	—	—	40,712
At 31 December 2012	40,712	18,997	(126)	59,583

Notes:

(a) Deemed contribution from shareholders

(i) As described in Note 13(2)(d), on 19 April 2012, EBOD and its subsidiaries agreed to waive approximately RMB24,176,000 payables due from the Target Company to EBOD as part of the Subscription Agreement. This unconditional and irrevocable waiver was regarded as a deemed contribution from shareholders.

(ii) As described in Note 1(ii), on 15 January 2012, the Target Company entered into a sale and purchase agreement with EBOD, the Target Company's then controlling shareholder which held 100% of its equity interest, for acquiring 100% equity interest of Faster Assets and its wholly-owned subsidiary, CMBSS, (collectively known as "Faster Group") for a nominal consideration of US$1. As of the date of acquisition, Faster Group had no business activities. Accordingly, this transaction has been accounted for as an acquisition of assets. The difference between the fair value of acquired assets and the consideration was treated as a deemed contribution from a shareholder.

	RMB'000
Land use rights *(Note 6)*	530
Property, plant and equipment *(Note 7)*	22,143
Cash and cash equivalents	38
Other receivables	9,569
Accruals and other payables	(15,744)
	16,536
Satisfied by:	
Cash (US$1)	—
Gain as a deemed contribution from a shareholder	16,536

(b) Transaction with non-controlling interests

On 14 March 2012, Beijing Yin Bao HongDi Equity Investment Manager ("Beijing Yin Bao"), a third party, injected HK$5,500,000 (equivalent to RMB4,510,000) into CMTST. After the capital injection, the Target Company's equity interest in CMTST decreased from 100% to 91.6%. The capital injection from Beijing Yin Bao was regarded as a deemed disposal to owners of the Target Company. The effect of changes in the ownership interest of CMTST on the equity attributable to owners of the Target Company during the year is summarised as follows:

	RMB'000
Consideration received from non-controlling interests	4,510
Less: carrying amount of non-controlling interests disposed of	(2,210)
Gain on deemed disposal within equity	2,300

There was no transaction enacted with any non-controlling interests of the Target Group for the years ended 31 December 2010 and 2011.

16 TRADE AND OTHER PAYABLES — TARGET GROUP AND TARGET COMPANY

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
Amounts due to related parties *(Note 28(b))*	2,490	—	—
Amounts due to third parties	3,693	36,951	1,675
	6,183	36,951	1,675
Advances from customers			
Advances from third parties	172	18,664	663
Advances from related parties *(Note 28(b))*	—	—	12,293
	172	18,664	12,956
Other payables			
Accrued payroll expenses	221	202	518
Other taxes payables	46	37	1,039
Loans due to a third party *(Note 27(a)(2))*	—	—	100,000
Amounts due to third parties	159	1,566	371
Amounts due to related parties *(Notes 13(2)(c)(d), 28(b))*	27,718	35,551	602,264
Interest payables	—	—	2,946
Accrued expenses	—	1	137
	28,144	37,357	707,275
Total trade and other payables	34,499	92,972	721,906

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Accrued expenses	—	—	35
Amounts due to related parties *(Notes 13(2)(d), 28(b))*	5,969	24,176	19
Total trade and other payables	5,969	24,176	54

The carrying amounts of trade and other payables approximate their fair values as at the end of each reporting year.

The aging analysis of the trade payables of the Target Group is as follows:

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	6,183	36,931	1,456
Over 1 year	—	20	219
	6,183	36,951	1,675

The carrying amounts of trade and other payables are denominated in the following currencies:

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
RMB	28,530	68,796	714,358
HK$	5,969	24,176	7,548
	34,499	92,972	721,906

Target Company

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
RMB	—	—	—
HK$	5,969	24,176	54
	5,969	24,176	54

17 BORROWINGS

	As at 31 December 2012 *RMB'000*
Current:	
Short-term bank borrowings	
— Guaranteed	800,000
	800,000

As at 31 December 2012, the bank borrowings of RMB800 million (the "loan") were guaranteed by Zhongli Group, a related party, and the Target Company shall provide the corresponding counter-guarantee regarding the loan to Zhongli Group. It matures on 19 December 2013 and bears interest of 12.05% per annum. As mentioned in Note 27(a)(1), Zhongli Jiayuaguan shall only bear the loan interests corresponding to the five-year RMB benchmark deposit and loan interest rate (the "Benchmark Interest Rate"). Zhongli Talesun shall bear the interests and related charges of the loan that are incurred due to the actual interest rate of the loan being higher than the Benchmark Interest Rate.

At 31 December 2012, the Group's borrowings were repayable as follows:

	31 December 2012 *RMB'000*
Within 1 year	800,000
	800,000

The carrying amounts of short-term borrowings approximate their fair value taking into account of the effect of the Benchmark Interest Rate.

The carrying amounts of the group's borrowings are denominated in the following currencies:

	As at 31 December 2012 *RMB'000*
RMB	800,000
	800,000

18 OTHER LOSSES — NET

	Year ended 31 December		
	2010 *RMB'000*	**2011** *RMB'000*	**2012** *RMB'000*
Government grants	—	800	28
Net foreign exchange loss	(315)	(934)	(68)
Donation	—	—	(666)
Others	50	11	(16)
	(265)	(123)	(722)

19 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and welfare *(Note 20)*	1,232	2,864	5,977
Contribution to pension plans *(Note 20)*	134	432	360
Share based payments *(Note 20)*	—	—	15,000
	1,366	3,296	21,337

(a) Directors emoluments

Two, two and five directors were nominated as the directors of the Target Company for the years ended 31 December 2010, 2011 and 2012, respectively. During the years ended 31 December 2010 and 2011, the directors were not entitled to any remuneration.

The remuneration of the directors of the Target Company for the year ended 31 December 2012 for their services provided to the Target Group is set out below:

	Year ended 31 December 2012
	RMB'000
— Salaries, allowance and benefits in kind	4,505

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group include nil, nil and two directors during the years ended 31 December 2010, 2011 and 2012, whose emoluments are reflected in the analysis presented above. The emoluments payables to the remaining five, five and three individuals during the years ended 31 December 2010, 2011 and 2012 are as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, bonuses, allowances and benefits in kind	286	264	4,382

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2010	2011	2012
HK$0 – HK$1,000,000	5	5	—
HK$1,000,001 – HK$1,500,000	—	—	1
HK$2,000,001 – HK$2,500,000	—	—	2
	5	5	3

During the years ended 31 December 2010, 2011 and 2012. No directors nor senior management of the Target Company waived any emoluments and no emoluments were paid by the Target Company to any of the directors or senior management as an inducement to join or upon joining the Target Company or as compensation for loss of offices.

20 EXPENSES BY NATURE

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold *(Note 10)*	38,569	54,196	6,244
Employee expenses *(Note 19)*	1,366	3,296	6,337
Share based payment — Employees *(Note 14, 19)*	—	—	15,000
— Consultants *(Note 14)*	—	—	3,997
Consulting fees	—	—	584
Auditor's remuneration	2	6	114
Depreciation of property, plant and equipment *(Note 7)*	239	721	2,076
Transportation expenses	27	891	231
Business taxes and other levies	59	94	4
Amortisation of land use rights *(Note 6)*	—	—	12
Amortisation of intangible assets *(Note 8)*	—	—	3,210
Research and development expenditure	338	74	188
Telephone expenses	57	64	91
Entertainment expenses	48	52	821
Utility expenses	66	47	219
Travelling expenses	73	13	828
Advertising expenses	262	—	151
Other expenses	1,862	1,301	2,849
Total cost of sales, distribution costs and administrative expenses	42,968	60,755	42,956

21 FINANCE INCOME — NET

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Finance costs:			
Net foreign exchange loss on financing activities	—	—	(33)
	—	—	(33)
Finance income:			
Interest income on bank deposits	10	6	63
	10	6	63
Finance income — net	10	6	30

22 INCOME TAX EXPENSE

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
— PRC corporate income tax	63	—	—
Deferred income tax	—	—	—
	63	—	—

The Target Company is a tax exempted company incorporated in the BVI. The Target Company's subsidiaries incorporated in Hong Kong and in the PRC are subject to Hong Kong profits tax and corporate income tax in the PRC, respectively.

The Hong Kong profits tax rate is 16.5% for the years ended 31 December 2010, 2011 and 2012. The Target Group is not subject to any Hong Kong profits tax as it had no assessable income arising in and derived from Hong Kong during the years reported.

The Target Company's subsidiaries incorporated in the PRC are subjected to a general tax rate of 25% for the years ended 31 December 2010, 2011 and 2012 on the assessable profits arising in or derived from the PRC. CMTST has obtained a preferential tax concession from the local tax bureau that it was fully exempted from the PRC enterprise income tax for two years starting from 2008, followed by a 50% tax exemption for the next three years from 2010 to 2012. Accordingly, the enacted tax rate for CMTST was 12.5% the years ended 31 December 2010, 2011 and 2012.

The tax on the Target Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax	1,744	(728)	(34,765)
Tax calculated at the PRC corporate income tax rate of 25%	436	(182)	(8,691)
Effect of different tax rates	1	(54)	6,606
Effect of tax exemption	(219)	—	—
Expenses not deductible for taxation purposes	6	7	187
Utilisation of previously unrecognised tax loss	(161)	—	—
Tax losses for which no deferred income tax assets was recognised	—	229	1,898
Income tax expense	63	—	—

The Target Group did not recognise deferred income tax assets of RMB87,000, RMB316,000, and RMB2,214,000 during the years ended 31 December 2010, 2011 and 2012, in respect of tax losses amounting to RMB348,000, RMB1,264,000 and RMB8,856,000, respectively as it was not probable that future taxable income would be available against which the temporary differences could be utilised. Losses amounting to RMB348,000, nil, RMB916,000 and RMB7,592,000 will expire in the years ended 31 December 2014, 2015, 2016 and 2017, respectively.

23 DIVIDEND

No dividends had been paid or declared by the Target Company during the years ended 31 December 2010, 2011 and 2012.

24 CASH GENERATED FROM/(USED IN) OPERATIONS

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

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax	1,744	(728)	(34,765)
Adjustments for:			
— Depreciation of property, plant and equipment *(Note 7)*	239	721	2,076
— Amortisation of land use rights *(Note 6)*	—	—	12
— Amortisation of intangible assets *(Note 8)*	—	—	3,210
— Share based payment *(Note 14)*	—	—	18,997
— Finance income	(10)	(6)	(63)
Changes in working capital			
— Inventories	(4,390)	(19,090)	14,032
— Trade and other receivables	(19,676)	(40,649)	32,205
— Trade and other payables	28,554	59,105	(90,640)
Cash generated from/(used in) operations	6,461	(647)	(54,936)

During the year of 2012, the Target Company entered into non-cash investing activities, which are not reflected in the consolidated statement of cash flows, in respect of the issuance of ordinary shares as consideration for the acquisition of the Exclusive Development Rights and the payables had been the waived by EBOD Group as described in Notes 13(1) and 13(2)(d), respectively.

25 CONTINGENT ASSETS

The Target Group was involved in disputes with the Huiyang Dalin Glass Company in connection with the purchase of certain raw materials for production of solar modules. The court issued judgment in favour of the Target Group and the Target Group is entitled to get full refund of the total contracted amount which is RMB113,000.

26 COMMITMENTS

(a) Capital commitments

There were no outstanding capital commitments as at 31 December 2010, 2011 and 2012. As at 31 December 2012, the Target Group had the following capital commitments which are contracted but not provided for:

	As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for	—	—	41,320

In June 2012, the Target Company entered into a contract with GCL-Poly Investment (the "Contract"), a related party, whereby the Target Company will acquire certain projects under Golden Sun Program ("Golden Sun Projects") from GCL-Poly Investment. The Chinese government grants subsidies to companies which undertake the construction and operations of solar power plants in relation to Golden Sun Projects as an incentive to induce development of solar energy business in the PRC. The completion of acquisition shall take place upon receipt of the notice of subsidy from the Ministry of Finance (the "MOF") of the PRC. The Target Company agrees to bear the expenses incurred by GCL-Poly Investment in applying the subsidy for Golden Sun Projects. The expenses are computed based on the capacity of 64MW at a fixed rate of RMB1 per Watt. There is an assumed subsidy level (RMB5.5 per Watt) by GCL-Poly Investment from the MOF. If the final subsidy is less than RMB5.5 per Watt, GCL-Poly Investment undertakes to repay certain expenses in applying subsidy incurred and previously paid by the Target Company. The contract will expire in 1 year, and may be extended for a further six-month period if both parties are unable to fulfill their responsibilities during the contractual period. In July 2012, the Target Company paid RMB18,902,000 to GCL-Poly Investment as deposits for investments.

After the acquisition, the Target Company would engage GCL-Poly Investment to construct the Golden Sun Projects and supply of raw materials. All costs of construction would be borne by the Target Company.

Pursuant to the above contract, CMSZ entered into two definitive sale and purchase agreements with two subsidiaries of GCL-Poly in December 2012 and February 2013, in relation to the acquisition of two project companies relating to the construction and operations of two rooftop power plants with electricity generation capacity of approximately 12MW. Subject to the terms of such agreements, CMSZ will acquire up to 100% equity interests in the two project companies with total cash consideration of RMB41,320,000 in several tranches. The completion of these two acquisitions was in February 2013 (more details in Note 30(b)).

(b) Operating lease commitments

The future aggregate minimum lease expense under non-cancellable operating leases in respect of buildings are payable as follows:

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	119	11	910
Later than 1 year and no later than 5 years	119	—	3,297
Later than 5 years	—	—	2,362
	238	11	6,569

(c) Framework Agreements relating to acquisitions of solar power plants

As of 31 December 2012, the Target Group had also entered into other legally binding framework agreements with Shareholders and a number of third parties companies to acquire solar power plants with an aggregate total capacity of 2,044MW till 2015. The solar power plant projects under the framework agreements are subject to definitive sale and purchase agreements which will contain certain conditions precedent.

27 ACQUISITION OF ASSETS

As described in Note 1(iii), on 24 December 2012, CMSZ entered into a sale and purchase agreement with the transferors for acquiring 100% equity interest of Zhongli Changzhou and its wholly-owned subsidiaries, Zhongli Jiayuguan and Zhongli Gonghe, for a consideration of RMB10 million. As of the date of acquisition, the construction of the solar power plants of Zhongli Jiayuguan and Zhongli Gonghe had not been completed and the electricity to be generated by Zhongli Jiayuguan and Zhongli Gonghe upon completion would also be contingent upon the approval of the relevant government authorities before it could be connected to the State Grid. Accordingly, this transaction has been accounted for as an acquisition of assets instead of a business combination.

The following table summarises the consideration paid for Zhongli Changzhou, the value of assets acquired, liabilities assumed at the acquisition date.

	As at 24 December 2012 *RMB'000*
Consideration:	
— Cash, settled	10,000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	40,504
Deposit for construction of solar power plants	10,000
Interest receivables from a related party	537
Other receivables	127
Property, plant and equipment *(Note 7)*	1,464,539
Construction costs payable to Zhongli Talesun	(614,636)
Loan due to Suzhou Industrial Park Fuhai Investment Consultation Co., Ltd. a third party	(40,000)
Interest payables	(1,071)
Loan due to a related party	(50,000)
Bank borrowings	(800,000)
Total identifiable net assets	10,000
	—

(a) Financing arrangements:

(1) In conjunction with this acquisition, a short-term bank loan of RMB800 million was obtained by Zhongli Jiayuguan to finance the construction of the facility and it was guaranteed by Zhongli Group. The interest rate of the loan is 12.05% per annum. The loan is repayable by 2 instalments and the final instalment would be due in December 2013. In accordance with the terms of the sales and purchase agreement, Zhongli Jiayuaguan shall only bear the loan interests corresponding to the Benchmark Interest Rate at 6.55% per annum and the Transferors shall bear the interests and related charges higher than the Benchmark Interest Rate. Please also refer to Note 30(d) for the re-financing arrangements currently under arrangement by the Target Group for this borrowing.

As described in Note 30(d), the Directors of the Target Company had entered into a long-term loan agreement with China Development Bank to re-finance RMB800 million of these outstanding borrowings. (also see Note 30(d) for details).

(2) The Transferors undertook to arrange short term loans of RMB10,000,000 and RMB90,000,000 (the "bridging loans"), in aggregate RMB100 million, which were provided by certain designated third parties to CMSZ and Zhongli Changzhou, respectively. All costs associated with the aforementioned bridging loans were borne by the Transferors. In January 2013, these bridging loans were refinanced by loans provided by another independent third party with equivalent amounts. Each of the bridging loans of RMB10 million and RMB90 million will be repayable in June 2013 and June 2014, respectively (see Note 30(a) for details).

(b) Contingent payment for the acquisitions.

According to the sale and purchase agreement, the Transferors undertake that the solar power plants of Zhongli Jiayuguan and Zhongli Gonghe shall be fully and officially connected to the State Grid from 1 January 2013 onwards. As of the report date, these two solar power plants had not been connected to the State Grid. The number of aggregate grid hours of these two plants should be 1,800 hours per annum for the initial 10 years of operations. In case the grid electricity volume for a year is lower than the minimum threshold as specified, the shortfall of electricity tariffs would be payable by the Transferors to Zhongli Jiayuguan and Zhongli Gonghe. In addition, if Zhongli Jiayuguan and Zhongli Gonghe are able to obtain VAT tax reduction benefits from its operations, the guaranteed hours will be reduced to 1,700 hours per annum.

28 RELATED PARTY TRANSACTIONS — TARGET GROUP AND TARGET COMPANY

The Target Group was controlled by EBOD, a company incorporated in the BVI, which owned 100% of the Target Group's equity interest, as at 31 December 2010 and 2011.

During the year ended 31 December 2012, the Target Group underwent several shareholding changes as described in Note 13.

The following companies are related parties of the Target Group that had balances and/or transactions with the Target Group for the years ended 31 December 2010, 2011 and 2012:

Company

	Relationship with the Target Group
CM Development	A fellow subsidiary of CMG
BHL Solar Technology Company Limited ("BHL")	*
Southwick International Limited ("Southwick")	*
Linsun Renewable Energy Corporation Ltd ("LSR")	*
Shenzhen Helios New Energy Technology Limited ("SZ Helios")	*
China Merchants Zhangzhou Development Zone Trenda Solar Energy Limited ("Trenda")	*
LPTQ	*
GCL Solar System Limited ("GCL Solar System")	**
Goldpoly (Quanzhou)	***
China Merchants Bonded Logistics Company Limited ("CMBL")	A fellow subsidiary of CMG
Sino Arena	Controlled by a key management
Talesun	****

* These companies were wholly-owned by EBOD as at 31 December 2010, 2011 and 2012.

** The company was wholly-owned by the majority shareholders of GCL-Poly as at 31 December 2010, 2011 and 2012.

*** The company was wholly-owned by Goldpoly as at 31 December 2011 and 2012. Goldpoly held 8.18% equity interest in the Target Company through its wholly-owned subsidiary as described in Note 13, and Goldpoly GPQST was also the top customer contributing over 90% of the revenue for the year ended 31 December 2012.

**** The company held 9.09% equity interest in the Target Company through its wholly-owned subsidiary as described in Note 13.

Apart from the related party transactions and balances in relation to acquisition of assets, investment in the Target Company, guarantee for borrowings, which have already been disclosed in Notes 1(ii), 13(1), 17 and 27 to the financial information, the following material transactions were carried out with related parties in the ordinary course of business.

(a) Significant transactions with related parties

Target Group

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods to related parties			
— LSR	13,856	48,552	—
— LPTQ	—	10,094	11
— BHL	—	60	—
— GPQST *(Note 5)*	—	—	7,986
	13,856	58,706	7,997
Sales of electricity to a related party			
— CMBL	—	—	123
Sales of raw materials to a related party			
— LPTQ	—	—	207
Provides service for a related party			
— LPTQ	—	—	685
Purchases of goods from related parties			
— LPTQ	2,490	15,601	—
— GPQST *(Note 5)*	—	—	6,075
	2,490	15,601	6,075
Purchases of solar assembly and power equipment from a related party			
— GCL Solar System	—	—	16,669
Receives construction services from related parties			
— GCL Solar System	—	—	4,918
Rental fee paid to related parties			
— Southwick	—	—	488
— BHL	—	—	78
	—	—	566
Receives services from related party			
— Southwick	—	—	541
— BHL	—	—	977
	—	—	1,518
Advances to related parties			
— Trenda	100	—	12,300
— SZ Helios	—	—	6,370
— LPTQ	—	478	36,014
	100	478	54,684

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Advances from related parties			
— EBOD	—	10,893	—
— SZ Helios	19,400	2,300	—
— Trenda	2,000	2,850	3,190
— LSR	—	7,080	23,338
— Southwick	—	1,583	—
— CMBSS	600	—	—
	22,000	24,706	26,528

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Expenses paid on behalf of related parties			
— EBOD	75	157	116
— LPTQ	—	—	3,522
— Trenda	32	85	11
— GCL Solar System	—	—	50
— SZ Helios	6	—	—
	113	242	3,699
Expenses paid by related parties on behalf of the Target Group			
— BHL	—	—	265
— Southwick	—	—	257
— SZ Helios	10	1	146
— EBOD	4	4	9
— CMNEG	—	—	42
— CMBSS	2	4	—
— CMBL	—	—	66
— LSR	—	—	4
	16	9	789

The advances were interest-free, unsecured and repayable on demand.

The directors of the Target Company have confirmed that the related party transactions set out in above table will not continue except for the sales of electricity to CMBL and the provision of manufacturing services to LPTQ.

In addition to the above transactions, the Target Group also had the following transactions with related parties:

On 15 January 2012, the Target Company acquired 100% equity interest in Faster Assets and its wholly-owned subsidiary, CMBSS, from EBOD at the consideration of US$1. The details of this acquisition were disclosed in Note 1(ii) and Note 15(a)(ii).

Target Company

	Year ended 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Advances from related parties			
— EBOD	—	10,893	—
— LSR	—	7,080	23,338
— Southwick	—	1,583	—
	—	19,556	23,338
Expenses paid by related parties on behalf of the Target Company			
— BHL	—	—	265
— Southwick	—	—	257
— SZ Helios	—	—	14
— EBOD	4	4	3
— CMNEG	—	—	21
— LSR	—	—	4
	4	4	564
Rental fee paid to related parties			
— Southwick	—	—	488
— BHL	—	—	78
	—	—	566
Receives services from related party			
— Southwick	—	—	541
— BHL	—	—	977
	—	—	1,518

The directors of the Target Company confirmed that the related party transactions set out above would not continue in the future.

(b) Significant balances with related parties

Balances with related parties were unsecured, interest-free and repayable on demand.

Target Group

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from related parties *(Note 11)*			
— LSR	9,409	35,824	—
— LPTQ	—	7,669	—
— BHL	—	59	—
	9,409	43,552	—
Other receivables from related parties *(Note 11)*			
— CMBL (ii)	—	—	12
— Zhongli Talesun (i)	—	—	1,479
— Sino Arena (ii)	—	—	5
— GCL Solar System (ii)	—	—	50
— Faster Assets (ii)	—	1	—
— BHL (ii)	—	—	7,301
— Trenda (ii)	—	—	1,004
— EBOD (ii)	—	68	1,227
— SZ Helios (ii)	—	—	4,426
— LPTQ (ii)	2,000	2,328	18,143
	2,000	2,397	33,647
Prepayment to a related party *(Note 11)*			
— GPQST	—	—	6,000
	11,409	45,949	39,647
Deposits for investments *(Note 26(a))*			
— GCL-Poly	—	—	18,902
	—	—	18,902

(i) This balance represents interest receivables due from Zhongli Talesun. As described in Note 27 (a)(1), certain portion of the interests arising from the RMB 800 million bank loan obtained for financing the construction of the solar power plant in Jiayuguan is borne by Zhongli Talesun and its subsidiary, at a rate which is the difference between a fixed interest rate of 12.05% per annum and the Benchmark Interest Rate. Such balance will be collected once the interest is fall due for repayment.

(ii) Other receivables due from these related parties mainly represented cash provided to these related parties for their short-term fund needs. All balances are interest-free and receivable on demand.

	As at 31 December		
	2010	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables due to related parties *(Note 16)*			
— LPTQ	2,490	—	—
Other payables due to related parties *(Note 16)*			
— EBOD (iii)	6,015	15,629	7,126
— CM Development (iii)	—	—	8,085
— CMNEG (iii)	—	—	162
— SZ Helios (iii)	19,404	9,552	14
— Trenda (iii)	1,699	1,700	1,480
— LSR (iii)	—	7,080	4
— Southwick (iii)	—	1,467	—
— BHL (iii)	—	—	1
— CMBSS (iii)	600	123	—
— CMBL (iii)	—	—	51
— Zhongli Talesun (i)	—	—	574,838
— GCL Solar System (ii)	—	—	10,503
	27,718	35,551	602,264
	30,208	35,551	602,264
Advances from a related party *(Note 16)*			
— GPQST	—	—	12,293

(i) This amount mainly represents the construction costs payable to Zhongli Talesun for the construction of the solar power plants of Zhongli Jiayuguan and Zhongli Gonghe as a result of the acquisition of Power Business as described in Notes 1(iii) and 27. Such payable balance is interest free and repayable by instalments and the final instalment is repayable in January 2014. In March 2013, Zhongli Talesun agreed to defer the repayment date of these outstanding balances to 30 June 2014(see Note 30(f) for details).

(ii) It mainly represents payables to GCL Solar System for the design and construction of rooftop solar power plant in Shenzhen. This balance is interest free and repayable on demand.

(iii) Other payables to these related parties mainly represents cash advances received from these related parties for short-term fund needs. All balances are interest-free and repayable on demand.

Target Company

	As at 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Other receivables from related parties *(Note 11)*			
— Faster Assets	—	1	1
— New Light	—	—	48,737
— Sino Arena	—	—	5
— CTNE	—	—	5
— Upper Light	—	—	5
— Fortune Wheel	—	—	3
— Sino Delight	—	—	5
— EBOD	—	—	12
	—	1	48,773
Deposits for investment			
— GCL-Poly	—	—	18,902
Other payables due to related parties *(Note 16)*			
— EBOD	5,969	15,629	—
— LSR	—	7,080	4
— Southwick	—	1,467	—
— SZ Helios	—	—	14
— BHL	—	—	1
	5,969	24,176	19

(c) Key management compensation

Key management includes directors, supervisors and other senior managers. The compensation paid or payables to key management for employee services is shown below:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances and benefits in kind	—	—	9,552

29 EARNINGS/(LOSS) PER SHARE

No earnings/(loss) per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful.

The Target Company has no potentially dilutive option or other instruments relating to ordinary shares.

30 SUBSEQUENT EVENTS

Saved as disclosed in other notes to the financial information, the Target Group had the following significant subsequent events occurred after 31 December 2012:

a. In January 2013, loans drawn down by CMSZ and Zhongli Changzhou as described in Note 27(a)(2) amounting to RMB100 million were repaid through refinancing of loans provided by an independent third party at the same amounts. RMB10 million and RMB90 million will fall due in 30 June 2013 and September 2013, respectively. In March 2013 the due date of the loan RMB90 million is extended to 30 June 2014 according to a deferred payment agreement between two parties.

b. In February 2013, CMSZ completed the acquisitions of 90% and 51% equity interests in the two project companies owned by GCL-Poly relating to the construction and operations of rooftop power plants with electricity generating capacity at cash consideration of RMB6 million and RMB17 million, respectively, pursuant to the sale and purchase agreements entered into with GCL-Poly in December 2012 and February 2013 respectively (see Note 26(a) for details).

As of the date of this report, the directors of the Target Company had not yet completed the fair values of the respective assets and liabilities acquired from these two projects and accordingly, no such fair value information and resultant goodwill arising from these acquisitions could be disclosed.

c. In February 2013, Zhongli Gonghe has got an approval for the on-grid connection system arrangement for electricity to be generated by Zhongli Gonghe, as granted by a local branch of State Grid where the solar plant is located.

d. In March 2013, the Target Group entered into a long-term loan agreement with China Development Bank (國家開發銀行). Pursuant to the provisions of the agreement, the Target Group has secured a long-term loan grant with a principal amount of RMB800 million for re-financing part of the Solar Plant Loans at RMB800 million with details described in note 27(a)(1). Up to April 2013, the Target Group had received loan proceeds totaling RMB400 million from the bank after the formal acceptance by the bank on an approval for the on-grid connection system arrangement for electricity to be generated by Zhongli Jiayuguan, as granted by a local branch of State Grid where the solar plant is located. The Remaining Loan Grant of RMB400 million is subject to negotiation between the Target Group and China Development Bank, as well as the completion status of the other on-grid connection requirements imposed by the PRC government which will be made no later than 28 March 2014 according to terms of the agreement. The loan grant is secured by a mortgage on the solar power plant assets of Zhongli Jiayuguan and pledged by the right of charge of electricity of Zhongli Jiayuguan and it is guaranteed by Zhongli Group. The loan so drawn down would be repaid by 27 semi-annual installments starting from year 2014, with the final installment falls due in March 2027.

e. In March 2013, CM Yinke, a fellow subsidiary of the Target Company's shareholder, issued a letter of conditional financial support to the Target Company to enable it meet its liabilities and obligation in connection with its existing and future solar energy business to a period ending 30 June 2014. The financing is intended to be provided to the Target Group for its existing and new solar energy projects undertaken, provided that these projects are expected to generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC.

f. In March 2013, CMSZ and Zhongli Talesun entered into an agreement that Zhongli Talesun agreed to defer the settlement of construction costs payable to Zhongli Jiayuguan and Zhongli Gonghe amounting to RMB575 million to 30 June 2014 without any consideration. The amount was recorded as part of trade and other payables in the balance sheet of the Target Group as of 31 December 2012.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2012 up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 31 December 2012.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for the year ended 31 December 2012, 31 December 2011 and 31 December 2010.

For the year ended 31 December 2012

Review of business

For the year ended 31 December 2012, the Group's turnover which was mainly contributed by solar energy business decreased by 73.4% to approximately HK$223.3 million (2011: HK$840.5 million).

Gross loss was approximately HK$66.5 million (2011: gross profit HK$150.5 million). The Group has been suffering from the continued weak demand from end market reflecting the declining average selling price of photovoltaic cells (the "**ASP**"). Aggressive price cut by competitors caused the Group to slow down its production, resulting in a gross loss margin of 29.8% (2011: gross profit margin of 17.9%). As a result of the decrease in ASP, we recorded an inventory impairment of HK$11.5 million (2011: reversal of inventories obsolescence HK$1.0 million).

At the end of year 2012, the Group further postponed the expansion plan on its solar cell production capacity due to the continued deterioration of business climate. Following the decision, the Group's results was negatively impacted by the impairment provision against goodwill of its solar energy segment, and an impairment charge of HK$612.8 million was made in the year under review (2011: HK$1,132.0 million).

As a result, net loss of the Group amounting to approximately HK$814.8 million (2011: HK$1,148.9 million).

In the year ended 31 December 2012, the Group anticipated increasing competitiveness and volatility in the fashioning market, therefore assigned the intellectual property rights attaching to its fashioning trademarks in Hong Kong and PRC region to a third party, and focused on its solar energy business.

During the past few years, the price of photovoltaic products recorded a decrease caused by the slowdown of demand due to the economic downturn in the United States of America, the European debt crisis and the oversupply of raw materials in the market worldwide. However, the implementation of supporting policies within the solar energy industry from state and local government in China; plus the declining cost and price for photovoltaic products have led to lower installation costs and a better return for solar power plant operators in the PRC. The Group is concerned about the impact of the continued deterioration of the business climatic for making photovoltaic cell products and has been looking for opportunities to expand its business downstream which is growing and capable of providing a stable source of income.

In May 2012, the Group has made an investment to acquire a company principally engaged in development and operation of solar power plants systems. The investment has been included as available-for-sale financial assets, and accordingly, the Group recognised a fair value gain of approximately HK$198.4 million due to increase in fair value of the investment. On 22 November 2012, the Group entered into a conditional sales and purchase agreement (the "**S&P**") to acquire the remaining equity interest in the said company engaging in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems (92.17% of the entire issued share capital of the company), at a total consideration of HK$2,119,910,000 which will be satisfied by the issue of 959,462,250 consideration shares at an issue price of HK$1.00 per share by the Company; and the issuance of convertible bonds of HK$1,160,447,750 at a conversion price of HK$1.00 per conversion share by the Company upon completion of the proposed acquisition. The completion of the proposed acquisition is subject to the fulfilment of the conditions set out in the S&P, including approval by the Company's shareholders in a special general meeting. The proposed acquisition is under progress and not yet completed.

Liquidity and financial resources

As at 31 December 2012, the Group had net current liabilities of approximately HK$249.6 million. The current assets mainly comprised of inventories amount to approximately HK$28.8 million, deposits and prepayments of approximately HK$152.2 million, net trade receivables of approximately HK$43.1 million and bank balances and cash of approximately HK$113.7 million. The Group had total assets of approximately HK$1,605.4 million, current liabilities of approximately HK$587.5 million, non-current liabilities of approximately HK$794.0 million and shareholders' equity of approximately HK$224.0 million.

Gearing ratio

The overall gearing ratio for the reporting period was at 48.4% with total bank borrowings of approximately HK$98.8 million, shareholders' loan of approximately HK$26.0 million, convertible notes of approximately HK$652.7 million and total assets of approximately HK$1,605.4 million as at 31 December 2012. Overall gearing ratio is defined as bank borrowings and shareholders' loan and convertible notes over total assets. The Group recorded net cash generated from operating activities of approximately HK$107.5 million, net cash used in investing activities of approximately HK$195.0 million and net cash used in financing activities of approximately HK$43.6 million for the period. With regard to financing activities, the Group repaid an aggregate of secured bank borrowings of approximately HK$136.5 million, obtained new secured bank borrowings of an aggregate of HK$98.8 million and obtained new shareholders loans of approximately HK$20.2 million.

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in the PRC. The Group's borrowings mainly included bank loans and loans from substantial shareholder of the Company. During the year, the Group obtained financial support from a controlled company of a substantial shareholder of the Company, whereby the funds can be used for the Group's general working capital. The Group had no interest rate hedging arrangement during the year under review.

Capital structure

As at 1 January 2012, the Company's total number of issued shares was 858,777,577. On 23 May 2012, 22,905,621 ordinary shares of the Company were issued as a result of consideration shares of acquisition at a consideration price of HK$0.943 per share.

On 6 July 2012, 225,191 ordinary shares of the company were issued pursuant to the exercise of the share options granted under share option scheme of the Company.

As at 31 December 2012, the Company's total number of issued shares was increased to 881,908,389.

Capital expenditure and commitments

Capital expenditure and prepayment for purchase of property, plant and equipment amounted to approximately HK$220.2 million for the year ended 31 December 2012. These expenditures were mainly incurred for its 10.8 MW user on-grid photovoltaic power generation project. The capital commitment of the Group as at 31 December 2012 was approximately HK$207.4 million.

Investment properties

The Group's investment properties are set out in note 16 to the financial statements of the Group for the year ended 31 December 2012.

Pledge of assets and contingent liabilities

As at 31 December 2012, the Group pledged its land use rights of HK$139.9 million, buildings of HK$64.6 million, investment property of HK$5.9 million and the Group also pledged bank deposit of approximately HK$81.4 million. As at 31 December 2012, the Group had no significant contingent liability.

Segment information

The Chief Operation Decision-Maker ("**CODM**") has been identified as the board of directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

There are two operating segments, namely fashion and corporate function and solar energy. The Company is domiciled in Hong Kong. For the year ended 31 December 2012, the revenue derived from Hong Kong and other countries is HK$10,000,000 and HK$213,269,000 respectively.

As at 31 December 2012 and 2011, all of the Group's land use rights, property, plant and equipment and investment property are located in Mainland China.

Employees and remuneration policies

As at 31 December 2012, the Group had 14 full-time employees in Hong Kong and 261 full-time employees in the PRC. The total number of full-time employees of the Group was 275. Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff cost (including directors' emoluments) for the year ended 31 December 2012 amounted to approximately HK$34.3 million.

Foreign exchange exposure

The functional currency of the Group's retail operation is in Hong Kong Dollars whereas the Group's solar energy operation's functional currency is Renminbi. The Group's cash and cash equivalents are mainly denoted in Hong Kong Dollars and Renminbi. The Group did not resort to any currency hedging facility for the year, as the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred as a result of currency fluctuation. However, management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Material acquisitions and disposals of subsidiaries and associated companies

There was no material acquisitions or disposals of subsidiaries and associated companies for the year under review.

Future plan for material investments

On 22 November 2012, the Group signed the S&P to acquire a downstream solar energy business at an aggregate consideration of HK$2,119,910,000. The acquisition is subject to the fulfilment of certain conditions set out in the S&P, including approval by the Company's shareholders in a special general meeting.

The Group will incur capital expenditure for a 10.0 MW user on-grid photovoltaic power generation project. The construction cost of the PV project is estimated to be approximately RMB95.0 million, of which RMB55.0 million will be subsidised by the PRC Government.

Save as disclosed above, the Group does not have any plan for material investments in the near future.

Prospect

The Group will focus on the solar energy business. The management will focus on taking advantage on PRC's Golden Sun Program which is a national solar subsidy program established by the Ministry of Finance, Ministry of Science and Technology and the National Energy Administration of the NDRC. The Golden Sun Program will provide upfront subsidy to the qualified applicants and thus will assist the Group's cashflow and revenue if the Group shall apply successfully. Facing a deterioration of

the business climate of solar cell industry, the Group will deploy prudent control on its manufacturing and distribution of solar cell business. Through the continuous improvement of gross margin of existing solar cell manufacturing operation, and by achieving vertical integrations, for instance by acquisition of downstream solar energy business, the Group aims at achieving a sustainable growth as well as maximizing the returns to Company's shareholders.

For the year ended 31 December 2011

Review of business

The Group is engaged in the following two major businesses, namely:

— Fashioning business

— Manufacturing and distribution of solar cells

Fashioning business

For the year ended 31 December 2011, turnover decreased by 42.5% to HK$71.5 million (2010: HK$124.3 million). The gross profit decreased from HK$80.2 million to HK$23.7 million. Net loss of the fashioning business for the year ended 31 December 2011 amounted to HK$45.4 million (2010: HK$11.1 million). The increase in net loss was mainly due to the employment termination payments of HK$ 8.9 million, and disposal loss of the Group's inventories of HK$14.8 million, and disposal loss of the Group's fixed assets of HK$0.8 million. As at 31 December 2011, the Group did not operate any retail shops (2010: 13 shops).

In view of the continued severe competition, further aggravated by the substantial increase in the shop rentals and the government's introduction of minimum wages, the Group's retail fashioning business will be subject to a difficult operating environment. The Group therefore changed its business model by entering into a trademark licence agreement to discontinue its retail shop operation on 13 July 2011. Under the licence agreement, in consideration of the grant of the sole and exclusive license to use the trademarks "Gay Giano", "Cour Carré" and "Due G" in Hong Kong and the People's Republic of China for 20 years, the licensee paid the Group an upfront fee in an amount of HK$2.0 million and a further licence fee at 5% of the net profit of the goods manufactured and sold by the licensee under the licence agreement to be paid annually.

The Board believed that by entering into the licence agreement, the operation in relation to the Group's fashion business could be simplified. Moreover, the new business model also financially reduced the Group's exposure to the risks facing retail shop operation. Under the licence agreement, the Group continues to maintain its fashioning business by supplying products to the licensee and to receive licensing income.

Manufacturing and distribution of solar cells

For the year ended 31 December 2011, the solar energy business had approximately HK$769.0 million of revenue and achieved gross profit of approximately HK$126.8 million. The gross profit margin decreased from 23.3% to 16.5%. During the year under review, the Group faced strong

headwinds in the average selling price ("**ASP**") and demand of solar cell in the highly cyclical solar industry. Two major factors were behind the slow end market of the industry for year 2011. In the buoyant 2010 market, cells/modules that were purchased were not all digested instantly therefore we saw a certain amount of inventory that needed to be flushed out before demand could revitalise. The regulatory environment in Europe also contributed uncertainty to the market and end users slowed down their pace of installations until new subsidy programs were confirmed. Due to weak demand from the end market, cell ASP experienced a sharp decline in year 2011. Consequently, the Group has made provision for inventories in the sum of HK$4.0 million and recognised an income of approximately HK$33.0 million due to the forfeiture of deposits from contract with certain customers. In response to these developments, the Group re-negotiated aggressively with its suppliers to reduce manufacturing input costs, especially our largest raw material component — wafer.

In view of the long term benefit for the Group's future business growth in the PRC, in particular, a greater enhancement in the recognition and appreciation and support for the Group's solar energy business in the PRC, the Group has committed to develop a 10.8 megawatt user on-grid photovoltaic power generation demonstration project (the "**Demonstration Project**"). The Demonstration Project has been selected as one of the Golden Sun Program projects by the Ministry of Finance, Minister of Science and Technology and Bureau of Energy of the PRC and the Group will in total receive a subsidy of approximately RMB97.2 million from the PRC government. The Golden Sun Program projects are intended to expand the scale of solar power generation application in the PRC while nurturing strategic emerging industries.

Commencing the development of on-grid PV power generation demonstration project

For the year ended 31 December 2011, the Group commenced the development of a 10.8MW user on-grid PV power generation demonstration project. Such project had been selected as one of the projects eligible for the Golden Sun Program with a total subsidy amounts to RMB97.2 million, of which RMB68.04 million had already been granted and received by the Group in 2011. In 2012, the 10.8MW demonstration project had been substantially completed and the Group had filed with the department of finance in the PRC for applying the grant of the remaining subsidy of RMB29.16 million. As at the Latest Practicable Date, the Group still awaited the approval from the department of finance in the PRC and the Group confirmed that, as such, the 10.8MW demonstration project was not yet put into operation. It is expected that the 10.8MW demonstration project will commence operation by July 2013.

In addition, on 8 February 2013, the Group had executed an on-grid agreement with two power companies in Fujian, the PRC, pursuant to which, the two power companies agree to connect the 10.8MW power station constructed by the Group to their grids subject to a condition that the Group shall provide to the two companies an on-grid application containing certain technical information and specifications for approval no later than 30 days prior to the on-grid connection.

Impairment charge on goodwill

The impairment charge arose in solar energy segment following a decision made at the end of year 2011, of the postponement of the Group's expansion plan of production capacity due to significant decline in global demand of PV cell and its market selling price. Following the decision, the Group reassessed the recoverable amount of solar energy segment and an impairment charge of HK$1,132.0 million was made for the year under review.

Distribution costs

Distribution expenses for the year ended 31 December 2011 was approximately HK$36.4 million. The decrease was mainly due to the change in business model of the Group's fashioning business during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 was approximately HK$99.7 million. The increase was mainly because of an increase in administrative expenses of the solar energy segment. The solar energy business was acquired by the Group on 25 October 2010 and the administrative expenses of the solar energy business, for the period from 25 October 2010 to 31 December 2010, was approximately HK$6.5 million. The administrative expenses of solar energy business for the year under review was HK$52.3 million.

Finance costs

Net finance costs for the year ended 31 December 2011 was approximately HK$60.5 million which included imputed interest expenses on convertible notes of approximately HK$53.3 million.

Liquidity and financial resources

As at 31 December 2011, the Group had net current assets of approximately HK$27.1 million. The current assets mainly comprised inventories of approximately HK$22.3 million, deposits and prepayments of approximately HK$95.1 million, trade receivables of approximately HK$186.4 million and bank balances and cash of approximately HK$217.9 million. The Group had total assets of approximately HK$2,034.9 million, current liabilities of approximately HK$494.6 million, non-current liabilities of approximately HK$709.8 million and shareholders' equity of approximately HK$830.5 million.

Gearing ratio

The overall gearing ratio for the period was maintained at 36.2% with total bank borrowings of approximately HK$136.5 million, shareholders' loan of approximately HK$5.8 million, convertible notes of approximately HK$594.1 million and total assets of approximately HK$2,034.9 million as at 31 December 2011. Overall gearing ratio is defined as bank borrowings and shareholders' loan and convertible notes over total assets. The Group recorded net cash generated from operating activities of

approximately HK$156.9 million, net cash used in investing activities of approximately HK$321.1 million and net cash generated from financing activities of approximately HK$202.3 million for the period.

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong and the PRC.

On 7 February 2011, the Company placed 125,370,000 new shares and raised approximately HK$180.0 million, whereby the funds was used to finance its development plans to expand the Group's production capacity relating to the solar cell business and/or for the general working capital of the Group. The Group's borrowings mainly included bank loans and other loans from financial institutions. The Group had no interest rate hedging arrangement during the year under review.

Capital structure

As at 1 January 2011, the Company's total number of issued shares was 732,407,577.

Capital expenditure and commitments

Capital expenditures and prepayment for purchase of property, plant and equipment amount to approximately HK$324.8 million for the year ended 31 December 2011. These expenditures were mainly used for the increase in production capacity of the Group's solar energy operation. The capital commitment of the Group as at 31 December 2011 is HK$227.3 million.

Investment properties

During the year, the Group sold its property in Hong Kong and used the HK$7.0 million proceeds for general working capital of the Group. The loss on the disposal in HK$0.5 million. As at 31 December 2011, the Group's investment property is located in the PRC, with a carrying value of approximately HK$6.4 million.

Pledge of assets and contingent liabilities

As at 31 December 2011, the Group pledged its land use rights of HK$143.1 million, and the Group also pledged bank deposit of approximately HK$55.2 million. As at 31 December 2011 the Group had no significant contingent liability.

On 7 February 2011, 125,370,000 ordinary shares of the Company were issued at the placing price of HK$1.45 per share. Net proceeds of HK$180.0 million have been received from the placing to finance its development plans to expand the Group's production capacity relating to the solar cell business and/or for the general working capital of the Group.

On 28 February 2011, 1,000,000 ordinary shares of the Company were issued pursuant to the exercise of the share options granted under the share option scheme of the Company.

As at 31 December 2011, the Company's total number of issued shares was increased to 858,777,577.

As at 1 January 2011 and 31 December 2011, the outstanding convertible notes with a total notional principal of was HK$850.0 million.

Segment information

The Chief Operation Decision-Maker ("**CODM**") has been identified as the board of directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

There are two operating segments, namely fashion apparel and solar energy. Other operation includes corporate functions managed by the Group management. The Company is domiciled in Hong Kong. Revenue derived from Hong Kong and other countries were HK$71,530,000 and HK$768,961,000 respectively.

As at 31 December 2011, all of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China. As at 31 December 2010, approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located in mainland China while the remaining 2% are located in Hong Kong.

Order book and prospects for new business

As at 31 December 2011, the Group's order book have no outstanding order on hand.

Employees and remuneration policies

As at 31 December 2011, the Group had 17 full-time employees in Hong Kong and 462 full-time employees in the PRC. The total number of full-time employees of the Group was 479. Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff costs (excluding directors' emoluments) for the year ended 31 December 2011 amounted to approximately HK$66.6 million.

Foreign exchange exposure

The functional currency of the Group's retail operation is in Hong Kong Dollars whereas the Group's solar energy operation's functional currency is Renminbi. The Group's cash and cash equivalents are mainly denoted in Hong Kong Dollars and Renminbi. The Group did not resort to any currency hedging facility for the year, as the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred as a result of currency fluctuation. However, management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Material acquisitions and disposals of subsidiaries and associated companies

There was no material acquisitions or disposals of subsidiaries and associated companies for the year under review.

Future plan for material investments

The Group will incur capital expenditure for its a 10.8 megawatt user on-grid PV power generation project. The capital expenditure will mainly be subsidised by the PRC Government.

Save as disclosed above, the Group does not have any plan for material investments in the near future.

Prospect

Both fashion apparel retail business and solar energy business are now the principal activities of the Group. Our management team is well prepared to respond efficiently the ever changing environment to ensure the Group will remain firmly on the path to sustainable and profitable growth over the long term.

With respect to the fashion apparel retail business, the Group will continue to develop "Gay Giano" and "Cour Carré" brands. The Group will continue to maintain its retail network and locate cautiously its retail outlets at prime shopping areas with high potential urban markets and reasonable rental.

Since the Group's fashion apparel retail business depends, in part, on the ability to shape, stimulate and anticipate consumer demand by producing fashionable and functional products, the Group has a dedicated design team to exploit the trending categories, launch new categories so as to be more responsive to fashion and consumer trends and to respond more efficiently to changing circumstances. Besides, the Group will continue to refine its sourcing strategy on the selection of suppliers to maintain and enhance product quality and to better control the related costs, and ultimately to maximise the gross profit. Effort to invest continues in both brand and business — including retail outlets, product development, people and infrastructure. Different marketing and promotional campaigns will be initiated to enhance the Group's brand image and increase consumer awareness of the Group's two brands.

With respect to our solar energy business, the Group will continue to devote significant resources to research and development in order to keep up with customer needs and market demands. We will also select key suppliers and customers to form strategic partnerships. For the industry as a whole, in the short term, there could be some market volatility because the business activities are still closely linked to countries' policies on subsidy/FiT programs. Europe has been absorbing most of the demands in the past few years, but going forward we shall see rising demand from North America and Asia. By forming strategic partnerships with selective module and end market players in regions on the rise we will be able to better secure our future sales.

In view of the growing demand for solar power and the importance of the economies of scale in the industry, the Group is looking to increase production capacities by 250MW in 2011. We believe that by such expansion we will enhance our market presence and reduce our costs per wattage produced.

Funding for the expansion is likely to be a combination of equity and debt. The newer production equipment will allow us to enhance the conversion efficiency of our solar cells. The decision is made through comprehensive analysis on current and future market conditions and the Group's competitive advantage. The management has experiences ramping up production in 2010 so we are confident we will be able to manage the expansion effectively.

Recognising that the trading environment is likely to be volatile, our management will closely monitor the conditions carefully and quickly respond to new opportunities and emerging risks. The Group remains confident that it possesses the brand, strategy and management team to continue to prosper in the years ahead and aims to maximise the returns to its shareholders.

For the year ended 31 December 2010

Review of business

The Group is engaged in the following major businesses, namely:

— Fashion apparel retail business;

— Manufacturing and distribution of solar cells

Fashion apparel retail business

Turnover was approximately HK$124.3 million, which indicated an increase of 27.6% from last financial year, marked by recovery in consumer confidence, improvement in labour market conditions and better economic outlook.

Although the fashion apparel retail business continued to face keen competition, retail sales were seen to improve notably. The continued global economic growth and the improved labor market conditions further boosted the consumer spending sentiment. As at 31 December 2010, the Group has retained its well established retail network in Hong Kong with a total of 13 retail outlets located at prime shopping areas in Hong Kong. In April 2010, one retail store has been strategically opened at China Hong Kong City, Tsimshatsui following the closure of store at New World Centre, Tsimshatsui. In addition, two retail outlets located at Causeway Bay and Shatin, were closed upon expiry of lease during the year under review.

The gross profit from retail operation for the year ended 31 December 2010 was approximately HK$80.2 million, with a gross profit margin of approximately 64.5%. Net loss of the retail operation for the year ended 31 December 2010 amounted to approximately HK$11.1 million. The decrease in net loss was mainly due to improvement in turnover. The retail group was facing keen competition of fashion apparel retail market and there were high operating costs during the year under review.

Manufacturing and distribution of solar cells

For the period post acquisition to year end, namely end of October 2010 to December 2010, the Group's solar business had HK$124.7 million of revenue, where approximately 94% were sales of solar energy related products and 6% processing services. During the 4th quarter of 2010, for the most part,

the PV market saw adequate demand but a cautious sentiment was prevalent within the industry due to the uncertainty over the PV subsidy/FiT policy in some European countries, where most of the end-market demand was originating.

The solar energy business achieved gross profit of HK$29.1 million and net profit of HK$20.6 million, which translated to gross and net margin of 23.3% and 16.5% respectively. Running largely on 100MW of cell production facilities, the Group made substantial progress on ramping up the newly added 100MW of production equipment. Going into 2011, to maintain profitability, the management put great emphasis on expanding production capacities, improving the efficiency of our solar cells, stabilising the supply of key raw materials like wafer and silver paste, and controlling operating expenses.

For the last two months of 2010, the Group made some important strides in its business operations. We entered into a long term purchase contract with a subsidiary of GCL-Poly Energy Holdings Limited, the largest polysilicon producer in China, which should help the Group in securing a stable supply of silicon wafers. The Group made a RMB25.0 million deposits as agreed in the contract. A wafer price adjustment mechanism was built into the agreement. The Group also made approximately RMB44.8 million of prepayment to production equipment providers for capacity enhancement.

Administrative expenses

Administrative expenses for the year ended 31 December 2010 was approximately HK$59.6 million which included administrative expenses of the newly acquired solar energy business for the period from 25 October 2010 to 31 December 2010 of approximately HK$47.9 million. The legal and professional fees increased significantly to HK$12.7 million in the year ended 31 December 2010, as compared to HK$0.8 million in the previous year. Such drastic increase mainly related to the necessary legal and professional fees incurred for the various fund raising activities and the very substantial acquisition conducted by the Company during the year under review.

Finance costs

Net finance costs for the year ended 31 December 2010 was approximately HK$11.1 million which included imputed interest expenses on convertible notes of approximately HK$9.8 million.

Liquidity and financial resources

As at 31 December 2010, the Group had net current liabilities of approximately HK$15.9 million. The current assets mainly comprised inventories of approximately HK$98.6 million, deposits and prepayments of approximately HK$64.4 million, trade receivable of approximately HK$4.4 million and bank balances and cash of approximately HK$117.2 million. The Group had total assets of approximately HK$2,664.0 million, current liabilities of approximately HK$342.2 million, non-current liabilities of approximately HK$573.3 million and shareholders' equity of approximately HK$1,748.5 million.

Gearing ratio

The overall gearing ratio for the period was maintained at 24.1% with total bank borrowings of approximately HK$85.8 million, shareholders' loan of approximately HK$14.3 million, convertible notes of approximately HK$540.8 million and total assets of approximately HK$2,664.0 million as at 31 December 2010. Overall gearing ratio is defined as bank borrowings and shareholders' loan and convertible notes over total assets. The Group recorded net cash used in operating activities of approximately HK$11.7 million, net cash used in investing activities of approximately HK$51.8 million and net cash generated from financing activities of approximately HK$177.7 million for the period.

Treasury policies

The Group generally finances its operations with internally generated cash flows and loan facilities provided by banks and financial institutions in Hong Kong and the PRC.

During the year under review, various fund raising activities had been conducted by the Company. Total net proceeds from the issue of convertible notes on 22 April 2010, 9 June 2010 and 20 October 2010 of approximately HK$24.4 million (as disclosed in note 28 to the financial statements of the Group for the year ended 31 December 2010) had been used as general working capital of the Group. On 25 June 2010, net proceeds of approximately HK$32 million from the Open Offer was received, whereby approximately HK$27.5 million had been used for general working capital and approximately HK$4.5 million for repayment of outstanding loans of the Group. Placing of 280,000,000 new shares on 25 October 2010 further raised approximately HK$133.5 million, whereby HK$100 million was used for the partial settlement of solar energy business acquisition with the remaining balance of approximately HK$33.5 million for general working capital.

As at 31 December 2010, the total outstanding short-term borrowings stood at approximately HK$85.8 million. The Group's borrowings mainly include bank loans and other loans from financial institutions. The interest rates of most of these loans were mainly determined by reference to the Hong Kong dollar price rate or the lending rates quoted by The People's Bank of China. The Group had no interest rate hedging arrangement during the year under review.

Capital structure

As at 1 January 2010, the Company's total number of issued shares was 248,840,000.

Capital expenditure and commitments

Capital expenditures and prepayment for purchase of plant and equipment amount to approximately HK$71.8 million for the year ended 31 December 2010. These expenditures were mainly used for the increase in production capacity of the Group's solar energy operation. The capital commitment of the Group as at 31 December 2010 is HK$243.4 million.

Investment properties

The Group's investment properties are located in Hong Kong and the PRC, with a carrying value of approximately HK$13.4 million.

As at 31 December 2010, the Group leases 13 retail outlets from independent third parties with a total floor area of 22,640 sq.ft. in Hong Kong. The Group also leases certain units at Siu Lek Yuen, Shatin, New Territories, Hong Kong as warehouse and office space.

The Group leases certain properties in Shenzhen, and Shantou PRC for its retail production facilities and dormitories.

Pledge of assets and contingent liabilities

As at 31 December 2010, the Group pledged its investment property in Hong Kong with a carrying value of HK$7.5 million, land use rights of HK$134.6 million, and the Group also pledged bank deposit of approximately HK$41.8 million. As at 31 December 2010, the Group had no significant contingent liability.

On 22 April 2010, 9 June 2010 and 20 October 2010, convertible notes (as disclosed in note 28 to the financial statements of the Group for the year ended 31 December 2010) in the principal amount of HK$10,000,000, HK$7,000,000 and HK$8,000,000 respectively issued by the Company to the subscriber, pursuant to the terms and conditions of a subscription agreement of 16 April 2010. Net proceeds of HK$24.4 million have been used as general working capital of the Group. During the period from 28 April 2010 to 12 November 2010, such convertible notes of an aggregate amount of HK$25,000,000 were fully converted into 42,016,804 ordinary shares of the Company at the conversion price of HK$0.595 per share.

On 24 June 2010, 66,411,680 ordinary shares of the Company were issued as a result of an open offer (as disclosed in note 31 to the financial statements of the Group for the year ended 31 December 2010) on the basis of one offer share for every four existing shares at the subscription price of HK$0.50 per offer share. Net proceeds of approximately HK$32.0 million have been used as the Group's general working capital.

On 25 October 2010, 92,936,803 ordinary shares of the Company were issued at HK$0.1 per share as partial consideration for the acquisition of solar energy business pursuant to an acquisition agreement of 13 July 2010 and a supplemental agreements of 19 July 2010 and 22 September 2010 in respect of the acquisition of solar energy business.

Also, on 25 October 2010, 280,000,000 ordinary shares of the Company were issued at the placing price of HK$0.50 per share pursuant to a placing agreement of 14 July 2010. Net Proceeds of HK$133.5 million have been received. HK$100 million has been used for the partial settlement of the consideration for the Goldpoly Acquisition and the remaining balance has been used for general working capital of the Group.

On 10 November 2010, 2,202,290 ordinary shares of the Company were issued pursuant to the exercise of the share options granted under the share option scheme of the Company.

As at 31 December 2010, the Company's total number of issued shares was substantially increased to 732,407,577.

Pursuant to an acquisition agreement of 13 July 2010 and a supplemental agreements of 19 July 2010 and 22 September 2010 in respect of the acquisition of solar energy business, the convertible notes with a total notional principal of HK$850 million were issued by the Company on 25 October 2010 as partial settlement of the solar energy business acquisition.

Segment information

Reportable segments

There are two operating segments include the Group, namely retail fashioning and solar energy. Other operation includes corporate functions managed by the Group management. The Company domiciled in Hong Kong. Revenue from customer in Hong Kong accounts for HK$124.3 million and total revenue from other countries was approximately HK$124.7 million. Approximately 98% of the Group's land use rights, property, plant and equipment and investment properties are located Mainland China while the remaining 2% are located in Hong Kong.

Information about major customers

For the year ended 31 December 2010, there were three customers who individually contributed over 10% of the total revenue. The total revenue contributed by these customers amount to HK$40.6 million.

Order book and prospects for new business

The amount of orders on hand of the Group was approximately HK$18.7 million as at 31 December 2010.

Employees and remuneration policies

As at 31 December 2010, the Group had 180 full-time employees in Hong Kong and 770 full-time employees in the PRC. The total number of full-time employees of the Group was 950. Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidised training programme as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff costs (excluding directors' emoluments) for the year ended 31 December 2010 amounted to approximately HK$46.3 million.

Foreign exchange exposure

The functional currency of the Group's retail operation is in Hong Kong Dollars whereas the Group's solar energy operation's functional currency is Renminbi. The Group's cash and cash equivalents are mainly denoted in Hong Kong Dollars and Renminbi. The Group did not resort to any currency hedging facility for the year, as the Board had been of the view that the cost of any hedging facility would be higher than the potential risk of the costs incurred as a result of currency fluctuation. However, management will monitor the Group's foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

Material acquisitions and disposals of subsidiaries and associated companies

During the year under review, the Group acquired the solar energy cell business at an aggregate consideration of HK$2,162.5 million. Completion took place on 25 October 2010, members of the Goldpoly International Limited became wholly-owned subsidiaries of the Company and the financial results of the Goldpoly International Limited and its subsidiaries were consolidated into the financial statements of the Group.

Future plan for material investments

Following the acquisition of Goldpoly International Limited, the Company has reviewed the operation of the solar energy business and has considered various development plans to increase the production capacity of the Goldpoly Group by an additional 250 megawatts in the first half of year 2011 so to satisfy the better than expected demand for its product, and the funding for the expansion is expected to be approximately RMB360 million. Given the rising demand for the product and save for any unforeseen circumstances, the Directors are considering the possibility to further expand the production capacity of the Goldpoly Group by a further 250 megawatts for the second half of year 2011.

Significant investment

Pursuant to an option agreement dated 26 September 2008, the Group paid HK$28.2 million (equivalent to RMB25 million) in respect of the proposed acquisition of interests in two toll roads in the PRC. The Group had not exercised the option before the expiry of the option period on 31 July 2009, and such deposit was ultimately repaid on 22 July 2010.

Prospect

The Group is principally engaged in fashioning and solar energy business.

With respect to fashioning business, the Group already changed its business model by appointing a sole licensee to take over the retail business. The Group continues to maintain its fashion business by supplying products to the licensee and receiving licensing income whilst reducing the Group's exposure to the risks facing retail shop operation. Nevertheless, the Group will continue to explore fashioning business opportunities.

With respect to solar energy business, the Group will continue to devote resources to research and development to keep up with customer needs and improve our profit margin. For solar power business in the PRC, we will continue our relationship with key suppliers and customers to form strategic partnerships. The Board believes that by forming strategic partnerships with selective module and end market players in regions on the rise we will be able to better secure future sales. In addition, during the year under review, the Group has teamed with one of its suppliers to build a 300MW wafer plant in Quanzhou. This strategic co-operation with market leading supplier enhanced our future expansion plan of the Group; and further assures our raw material supply. For the industry as a whole, we believe that solar business in the PRC will maintain stable growth in the coming years, although market volatility could be seen because the business activities are closely linked to country policy on government subsidies and feed-in-tariff scheme.

In view of the weak demand in the year 2011, the Group has been cautious in its expansion plan. The management will monitor closely on its expansion plan of increasing production lines to meet the market demand and quickly respond to new opportunities and emerging risks. The Group remain confident that the solar energy business will continue to prosper in years ahead and aims to maximise the returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Target Group for the year ended 31 December 2012, 31 December 2011 and 31 December 2010.

Outlook of the solar energy industry

The Target Group is principally engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants and rooftop solar power plants and systems in the PRC either developed by itself or acquired from other parties. The Target Group is also engaged in the assembling and processing of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC.

As at 31 December 2012, the Target Group possessed solar power plants located at Shenzhen Qianhai with an initial annual solar electricity production capacity of approximately 2MW and had acquired two ground-based solar plant projects and entered into definitive sale and purchase agreements for the acquisition of two rooftop solar plant projects with generation capacity up to 120MW and 12MW, respectively. It was anticipated that the total capacity of the solar power plant projects which are owned or may be acquired by the Target Group in the PRC are approximately 2.16GW and 5GW by the financial years ending 31 December 2015 and 31 December 2017 respectively.

Demand for solar products depends substantially on government incentives aimed to promote greater use of solar energy by lowering level of cost. The solar energy industry in the PRC was rapidly growing in 2011 and it is expected there will be a continuous growth in domestic demand for solar system installation in the PRC due to various supporting policies from the government, including:

(a) **12th Five-Year Plan targets:** China's 12th Five-Year Plan on Solar Power Development promulgated by National Energy Administration projected a cumulative installed capacity of 21GW and 50GW solar power plants by end of 2015 and 2020, respectively. These official targets endorsed by the 12th Five-Year Plan on Solar Power Development may direct a total investment of approximately RMB250 billion in the solar power projects within the period of the 12th Five-Year Plan on Solar Power Development;

(b) **The Feed-In-Tariff:** Except the districts in Tibet, the Feed-In-Tariff scheme launched by NDRC provides for a feed-in-tariff of RMB1 for each kilowatt hour for solar projects which are completed and connected to the State Grid in 2012 and onwards, reducing the downside risks of solar power plants owners and operators ; and

(c) **The Golden Sun Program:** It is another national solar subsidy program launched in July 2009. The Golden Sun Program provides upfront subsidies to cover 50–70 percent of the costs of qualified solar projects and related grid connection and transmission costs.

To capture the business opportunities in the PRC promoted by the above official targets set by the 12th Five-Year Plan on Solar Power Development, the Target Group has entered into certain cooperation agreements or memoranda for the strategic cooperation with several market players in the solar energy industry for the investment, development and operation of solar power plant projects. The Target Group has conducted preliminary due diligence on certain identified solar power plant projects as contemplated under the cooperation agreements or memoranda and will further explore strategic acquisitions or cooperation with a view to increase the production capacity and market share in the solar energy industry in the PRC.

For the year ended 31 December 2012

Review of business

During the year ended 31 December 2012, the revenue of the Target Group was RMB8,883,000, representing a decrease of approximately 85.23% as compared to RMB60,144,000 for the year ended 31 December 2011. Such significant decrease was mainly arisen from the decrease of exports sales to Europe in 2012, compared with 2011. The Target Group's top two customers, namely GPQST (a member of the Group) and LPTQ (a member of the EBOD Group) contributed over 98% of the revenue for the year ended 31 December 2012. There was reliance on the top two customers for the revenue in 2012.

Geographically, all the revenue for the year ended 31 December 2012, was derived from sale to the domestic market, among which, RMB7,986,000 represents sale of solar modules by the Target Group to GPQST. The Target Group acted as an agent in certain transactions and the revenues derived from these transactions were presented at a net basis. The gross billing amount of these transaction was RMB106,852,000. These solar modules were purchased from LPTQ amounting to RMB104,571,000. Sale of solar modules manufactured by the Target Group accounted for 65.2% of the total revenue, amounting to RMB5,794,000.

The Target Group's gross loss for the year ended 31 December 2012 was approximately RMB2,285,000. Such loss was mainly due to cost of inventories sold and amortisation of intangible assets. Net loss of the Target Group for the year ended 31 December 2012 amounted to approximately RMB34,765,000. The net loss was mainly due to amortisation of share based payment, employee benefit expenses and consulting fees.

The total cost of sales was RMB11,168,000 for the year ended 31 December 2012, which included amortisation of intangible assets in the amount of RMB3,210,000, arising from the additions of the intangible assets during the year 2012. It mainly represented the exclusive rights to develop solar power plants on warehouse rooftops of three enterprises which are subsidiaries of China Merchants Group Limited, the controlling shareholder of CMNEG (the "**Exclusive Development Rights**"). The Target Group can develop solar power plants for a period of 25 years with a capacity of 180MW in aggregate and the total area of warehouse rooftops is about 1,220,000 square meters. These three enterprises will

use the power generated from the solar plants on the rooftop developed by the Target Group. On 2 April 2012, the Exclusive Development Rights were transferred from CMNEG to the Target Company as a consideration for CMNEG to subscribe for 220 ordinary shares of the Target Company.

Segment information

For the year ended 31 December 2012, for solar business, the revenue was RMB8,760,000, gross profit was RMB831,000 and net loss was RMB4,283,000, of which revenue was decreased by 85.4%, gross profit was decreased by 71.4% and net loss was increased by 413.5% respectively as compared to year ended 31 December 2011. For the year ended 31 December 2012, for power business, the revenue was RMB123,000, gross loss was RMB3,116,000 and net loss was RMB7,873,000. There was no power business in 2011. For the year ended 31 December 2012, for corporate function, there was no revenue, net loss was RMB22,609,000, of which net profit was decreased by 21,429% as compared to year ended 31 December 2011. The main reason of this decrease of net profit was due to amortisation of share-based payment, employee benefit expenses and consulting fees incurred in 2012.

Amortisation on intangible assets

According to the valuation report performed by an independent valuer, the fair value of the Exclusive Development Rights as at 31 December 2011 was initially assessed to be approximately HK$189,706,000 (equivalent to RMB155,000,000). Nevertheless, the final agreed price of the Exclusive Development Rights between the CMNEG and the Target Company for the exchange of certain ordinary shares of the Target Company was HK$132,000,000 (equivalent to RMB107,003,000) as at 2 April 2012, which is the date of completion of the transaction. As as 31 December 2012, the net book amount of the intangible assets of the Target Group was RMB103,793,000.

The directors of the Target Company are of the view that there was no impairment loss associated with the Exclusive Development Rights as at 31 December 2012.

Tax concession

CMTST, the principal operating subsidiary of the Target Group engaged in the production and sale of solar modules, has obtained a preferential tax concession from the local tax bureau that it was fully exempted from the PRC enterprise income tax for two years starting from 2008, followed by a 50% tax exemption for the next three years from 2010 to 2012. Accordingly, the enacted tax rate for CMTST was 12.5% for the years ended 31 December 2010, 2011 and 2012.

Liquidity and financial resources

During the year ended 31 December 2012, the net cash used in operating activities was RMB54,936,000, when comparing with net cash used in operation activities of approximately RMB647,000 for the year ended 31 December 2011. Such increase was principally due to decrease in trade and other payables, partially offset by decrease in inventories and trade and other receivables.

For the year ended 31 December 2012, the net cash generated from financing activities was RMB94,113,000 (for the year ended 31 December 2011: nil). The net cash generated from financing activities was primarily due to issue of ordinary shares, proceeds from other borrowings, partially offset by repayment of borrowings.

As at 31 December 2012, the current liabilities of the Target Group was RMB1,521,936,000. The key components of the current liabilities of the Target Group as at 31 December 2012 included trade and other payables of RMB721,906,000 (31 December 2011: 92,972,000) and bank borrowings of RMB800,000,000 (31 December 2011: nil). The amount of trade and other payables was mainly attributable to amounts due to related parties and loan due to a third party. The bank borrowings of RMB800,000,000 carried fixed interest rate at 12.05% per annum. It is a condition for the acquisition of Zhongli Changzhou by the Target Group from Zhongli Talesun that the loan in the amount of RMB800,000,000 shall be arranged and, prior to completion, Zhongli Talesun had already arranged with Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. for the loan of RMB800,000,000 at the interest rate of 12.05%, which in the view of the Target Group, is higher than market rate. It is agreed by the parties that the Target Group shall only bear the loan interests corresponding to the five-year national benchmark lending rate (the "Benchmark Interest Rate"). Zhongli Talesun shall bear the interests and related charges of the loan that are incurred due to the actual interest rate of the loan being higher than the Benchmark Interest Rate. The bank borrowings were guaranteed by Zhongli, and the Target Company shall provide the corresponding counter-guarantee regarding the bank borrowings to Zhongli. As of the Latest Practicable Date, the applicable Benchmark Interest Rate is 6.55% per annum and the effective interest rate for the loan of RMB800,000,000 assumed by the Target Group is 6.55%, which is a fair market rate and the management of the Target Group considers this financing arrangement as reasonable and fair.

As at 31 December 2012, the Target Group had net asset of RMB216,580,000. CMBSS acquired the land use right located at Zhangzhou and was in the process of applying for the land use right certificates with an aggregate carrying amount of approximately RMB518,000 as at 31 December 2012 and a substantial part of net assets was attributable to the rooftop power plant in Shenzhen Qianhai, the Exclusive Development Rights and the trade and other receivables and prepayment.

Gearing ratio

The overall gearing ratio for the period was 51.8% with total borrowings of RMB900 million and total assets of approximately RMB1,738.5 million as at 31 December 2012. Overall gearing ratio is defined as total borrowings and loans over total assets. The Target Group recorded net cash used in operating activities of approximately RMB54.9 million, net cash used in investing activities of approximately RMB1.2 million and net cash generated from financing activities of approximately RMB94.1 million for the period.

Treasury policies

There were no treasury policies for the year ended 31 December 2012.

Capital expenditure and commitments

As at 31 December 2012, the Target Group had the following capital commitments which are contracted but not provided for:

	As at 31 December 2012 *RMB'000*
Contracted but not provided for	41,320

In June 2012, the Target Company entered into a contract with GCL-Poly Investment, whereby the Target Company will acquire certain Golden Sun Projects from GCL-Poly Investment. The PRC government grants subsidies of such Golden Sun Projects to companies which undertake the construction and operations of solar power stations as an incentive to induce development of solar energy business in PRC. The completion of acquisition shall take place upon receipt of the notice of approved subsidy from the Ministry of Finance of the PRC ("**MOF**"). Prior to the acquisition, the Target Company shall bear the expenses incurred by GCL-Poly Investment in applying the subsidy for the relevant Golden Sun Projects. The expenses shall be computed based on the capacity of 64MW at a fixed rate of RMB1 per Watt. There is an assumed subsidy level (RMB5.5 per Watt) by GCL-Poly Investment from the MOF. If the final subsidy is less than RMB5.5 per Watt, GCL-Poly Investment should repay certain expenses in applying subsidy incurred and previously paid by the Target Company. The contract will expire in 1 year, and may be extended for a further six-month period if both parties are unable to fulfill their responsibilities during the contractual period.

After the acquisition, the Target Company would engage GCL-Poly Investment to construct the relevant Golden Sun Projects and supply of raw materials. All costs of construction would be borne by the Target Company.

In July 2012, the Target Company paid RMB18,902,000 to GCL-Poly Investment as deposit for investments.

Pursuant to the above contract, CMSZ entered into two definitive sale and purchase agreements with two members of GCL-Poly Group on 20 December 2012 in relation to the acquisition of two project companies relating to two rooftop power plants with electricity generation capacity amounting to approximately 12MW. Subject to the terms of these two agreements, CMSZ will acquire the 100% equity interest in the two project companies with cash consideration of RMB41,320,000, and as at the Latest Practicable Date, CMSZ had completed the acquisitions of 51% and 90% equity interests in the two project companies.

Save as disclosed, the Target Group did not have other significant capital commitment as at 31 December 2012.

Pledge of assets

There were no pledge of assets for the year ended 31 December 2012.

Prospect

It is the intention of the Target Group to position itself as the leading player in the design, development, investment, operation and management of solar power plants in the solar energy industry by taking advantage of the expertise and resources available from its shareholders and business partners, as well as the favourable state and local policies for solar energy industry in the PRC.

As at 31 December 2012, the Target Group had entered into a series of legally binding agreements (including framework agreements), pursuant to which the Target Group obtained various rights in relation to certain ground-based and rooftop solar power plant projects with a maximum capacity of up to approximately 5GW which are owned or may be acquired by the Target Group in or prior to the year 2017.

The development or acquisition of a total generation capacity of 573MW is expected to be completed by the end of 2013. Based on the information provided by the Target Group, the net capital expenditure will be an estimated amount of RMB3.6 billion, which will be incurred for the year ending 31 December 2013.

As at the Latest Practicable Date, the Target Group (i) had completed the development of a rooftop solar power plant in Shenzhen with initial generation capacity of approximately 2MW; (ii) had acquired two ground-based solar power plant projects with generation capacity up to 120MW; and (iii) had entered into definitive sale and purchase agreements for the acquisition of two rooftop solar power plant projects with generation capacity up to 12MW, and the Target Group had completed the acquisitions of 51% and 90% equity interests in the two project companies, respectively.

Significant investments and material acquisitions

On 15 January 2012, the Target Company acquired 100% equity interest of Faster Assets and its wholly-owned subsidiary CMBSS for a nominal consideration of US$1 from EBOD, the Target Group's then sole controlling shareholder. As at the date of acquisition, Faster Assets and CMBSS only held certain property, plant and equipment but not engaged in any substantial operations, and this transaction has been accounted for as an acquisition of assets and the difference between the fair value of acquired assets and the consideration was treated as a deemed contribution from shareholder.

On 17 February 2012, after the Target Company acquired the entire issue share capital of Faster Assets from EBOD, Faster Assets transferred its entire equity interest in CMBSS to CMTST and CMBSS became a wholly-owned subsidiary of CMTST.

On 2 April 2012, CTNE became a wholly-owned subsidiary of the Target Company upon the completion of sale and purchase of entire issued share capital in CTNE from CMNEG to the Target Group.

On 20 December 2012, CMSZ entered into two definitive sale and purchase agreements with two members of GCL-Poly Group in relation to the acquisition of two project companies relating to two rooftop power plant projects with electricity generation capacity amounting to approximately 12MW.

On 22 December 2012, CMSZ entered into an equity interest transfer agreement with Zhongli Talesun and Jiangsu Zhongli for acquiring 100% equity interest in Zhongli Changzhou, which owns the right to develop solar power plant with electricity generation capacity amounting to approximately 120MW, for a consideration of RMB10,000,000. On 24 December 2012, CMSZ completed the acquisition of the entire equity interest in Zhongli Changzhou, Zhongli Changzhou became a wholly-owned subsidiary of CMSZ.

Save as disclosed, there were no material significant investments or acquisitions for the year ended 31 December 2012.

Capital expenditure and structure

As at 31 December 2012, the total number of issued shares of the Target Company was 575,000,000.

Employees and remuneration policies

As at 31 December 2012, the Target Group had a total workforce of 96 employees. The Target Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends.

The employee benefit expenses were RMB21,337,000 for the year ended 31 December 2012, which increased by RMB18,041,000 as compared with previous year.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Group were mainly denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Group during the year ended as at 31 December 2012.

Contingent liabilities

As at 31 December 2012, the Target Group did not have any contingent liabilities.

For the year ended 31 December 2011

Review of business

During the year ended 31 December 2011, the revenue of the Target Group increased to RMB60,144,000 from RMB44,967,000 for the year ended 31 December 2010, which was mainly derived from sale of solar modules. Revenue of the Target Group is measured at the fair value of the consideration received or receivable, and represents amount receivable for goods supplied, stated net of discounts, returns and value added taxes. The Target Group's top two customers, namely Linsun Renewable Energy Corporation Limited and LPTQ contributed over 98% of the revenue. There was reliance on the top two customers for the revenue in 2011.

Geographically, the Target Group carries out its operations primarily in the PRC as its production facilities and operating assets are substantially located in Zhangzhou. For the year ended 31 December 2011, revenue attributable to sale to Hong Kong market was approximately RMB48,612,000, representing an increase of 76% from approximately RMB27,627,000 for the year ended 31 December 2010. The significant increase was mainly due to increase in volume. Approximately RMB11,532,000 derived from sale to the domestic market, representing a decrease of 33% from approximately RMB17,340,000 for the year ended 31 December 2010. The shift from domestic market is because of the low selling price in domestic market.

The Target Group's gross profit for the year ended 31 December 2011 was approximately RMB2,909,000, representing a decrease of approximately 31% as compared to RMB4,208,000 for the year ended 31 December 2010. Such decrease was mainly due to increase in cost of inventories sold. Net loss of the Target Group for the year ended 31 December 2011 amounted to approximately RMB728,000.

The total cost of sales increased to RMB57,235,000 for the year ended 31 December 2011, representing an increase of approximately 40% from RMB40,759,000 for year ended 31 December 2010. This increase was primarily due to the increase in cost of inventories which was amounted to RMB54,196,000, representing an increase of 41% as compared to RMB38,569,000 for the previous year. The increase in the cost of inventories was due to increase in sales volume during the year ended 31 December 2011 compared with several months of operation in 2010.

Liquidity and financial resources

For the year ended 31 December 2011, the net cash used in operating activities was RMB647,000, when comparing with net cash generated from operating activities of approximately RMB6,398,000 for the year ended 31 December 2010 and such decrease was principally due to increase of trade and other receivables and inventory, partially offset by increase of trade and other payables. For the year ended 31 December 2011, there was no cash generated from financing activities (for the year ended 31 December 2010: nil).

As at 31 December 2011, the current liabilities of the Target Group was RMB93,002,000, representing an increase of 169% from RMB34,562,000 of the previous year. This significant increase was largely attributable to trade and other payables amounting to RMB92,972,000. The substantial increase is due to increase of purchases and sales advances from customers.

As at 31 December 2011, the Target Group had net asset of RMB441,000 which decreased from that of RMB504,000 as at 31 December 2010 due to loss incurred during the year ended 31 December 2011.

The Target Group had no outstanding bank borrowing as at 31 December 2011 and none of the assets of the Target Group were pledged as security for any banking facilities and borrowing as at 31 December 2011.

Gearing ratio

The Target Group did not have borrowings as at 31 December 2011. Overall gearing ratio is defined as total borrowings and loans over total assets. The Target Group recorded net cash used in operating activities of approximately RMB0.6 million and net cash used in investing activities of approximately RMB0.07 million for the period.

Treasury policies

There were no treasury policies for year ended 31 December 2011.

Capital expenditure and commitments

The Target Group did not have significant capital commitment as at 31 December 2011.

Prospect

The Target Group did not have any plans for new investments during the year ended 31 December 2011.

Significant investments and material acquisitions

There were no material significant investments or acquisitions for the year ended 31 December 2011.

Capital structure

As at 31 December 2011, the total number of issued shares of the Target Company was 100.

Employees and remuneration policies

As at 31 December 2011, the Target Group had a total workforce of 111 employees. The Target Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends.

The employee benefit expenses were RMB3,296,000 for the year ended 31 December 2011, which increased by RMB1,930,000 as compared with previous year.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Group were mainly denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Group during the year ended 31 December 2011.

Contingent liabilities

As at 31 December 2011, the Target Group did not have any contingent liabilities.

Pledge of assets

There were no pledge of assets for the year ended 31 December 2011.

For the year ended 31 December 2010

Review of business

During the year ended 31 December 2010, the revenue of the Target Group increased to RMB44,967,000 which was mainly derived from sale of solar modules manufactured by the Target Group. The Target Group's top two customers, namely Linsun Renewable Energy Corporation Limited and Auhui Tai De Photovoltaic Corporation** (安徽泰德光伏股份有限公司) contributed over 60% of the revenue. There was reliance on the top two customers for the revenue in 2010.

Geographically, the Target Group carries out its operations primarily in the PRC as its production facilities and operating assets are substantially located in Zhangzhou. Approximately 39% of the Target Group's revenue for the year ended 31 December 2010 was attributable to domestic sales, approximately 61% was attributable to sale to Hong Kong market.

The Target Group's gross profit for the year ended 31 December 2010 was approximately RMB4,208,000. Net profit of the Target Group for the year ended 31 December 2010 amounted to approximately RMB1,681,000.

The total cost of sales was RMB40,759,000 for the year ended 31 December 2010. The Target Group's cost of sale is primarily affected by its ability to control the costs of raw materials, namely solar cells, utility expense and labour costs in connection with the manufacturing and sale of solar modules.

Liquidity and financial resources

For the year ended 31 December 2010, the Target Group was mainly dependent on cash flows generated from operating activities to support is daily operation and capital expenditure. The increase of approximately 418% from RMB2,015,000 for the year ended 31 December 2009 in net cash used in operating activities to RMB6,398,000 for the year ended 31 December 2010 in net cash generated from operating activities was principally due to the increase in revenue generated from sale of solar modules and increase in trade and other payables which was partially offset by increase in trade and other receivables and prepayments. Net cash used in investing activities for the year ended 31 December 2010 was RMB3,781,000, which was primarily due to the purchase of property, plant and equipment.

As at 31 December 2010, the current liabilities of the Target Group was RMB34,562,000 which was largely attributable to amount due to related parties.

As of 31 December 2010, the Target Group had net asset of RMB504,000 which increased from net liabilities of RMB1,394,000 as at 31 December 2009 due to profit generated during the year ended 31 December 2010.

The Target Group had no outstanding bank borrowing as at 31 December 2010 and none of the assets of the Target Group were pledged as security for any banking facilities and borrowing as at 31 December 2010.

Treasury policies

There were no treasury policies for the year ended 31 December 2010.

Gearing ratio

The Target Group did not have borrowings as at 31 December 2010. Overall gearing ratio is defined as total borrowings and loans over total assets. The Target Group did not have borrowings as at 31 December 2010. The Target Group recorded net cash generated from operating activities of approximately RMB6.4 million and net cash used in investing activities of approximately RMB3.8 million for the period.

Capital commitments

The Target Group did not have other significant capital commitment as at 31 December 2010.

Prospect

The Target Group did not have any plans for new investments during the year ended 31 December 2010.

Significant investments and material acquisitions

There were no material significant investments or acquisitions for the year ended 31 December 2010.

Capital structure

As at 31 December 2010, the total number of issued shares of the Target Company was 100.

Employees and remuneration policies and employee information

As at 31 December 2010, the Target Group had a total workforce of 120 employees. The Target Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends.

The employee benefit expenses were RMB1,366,000 for the year ended 31 December 2010.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Group were mainly denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Group during the year ended 31 December 2010.

Contingent liabilities

As at 31 December 2010, the Target Group did not have any contingent liabilities.

Pledge of assets

There were no pledge of assets for the year ended 31 December 2010.

INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

Indebtedness

As at the close of business on 31 March 2013, being the Latest Practicable Date for the purpose of this indebtedness statement, the Group and the Target Group had the following indebtedness:

	The Group			The Target Group			Total
	Secured	Unsecured		Secured	Unsecured		
		Guaranteed	Non-Guaranteed		Guaranteed	Non-Guaranteed	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	98,765	—	—	123,457	987,654	—	1,209,876
Amounts due to shareholders	—	—	26,000	—	—	—	26,000
Convertible note — liability component	—	—	668,753	—	—	—	668,753
Loans due to a third party	—	—	—	—	—	123,457	123,457
Amounts due to related parties	—	—	123,457	—	—	10,881	134,338
	98,765	—	818,210	123,457	987,654	134,338	2,162,424

Bank borrowings of approximately RMB80,000,000 (approximately HK$98,765,000) of the Group were secured by certain land use rights, buildings and pledged bank deposits of the Group amounted to RMB228,914,000 (approximately HK$282,610,000).

Bank borrowings of approximately RMB100,000,000 (approximately HK$123,457,000) of the Target Group were secured by 100MW Solar power plant project in JiaYuGuan. Another bank borrowings of approximately RMB800,000,000 (approximately HK$987,654,000) of the Target Group were guaranteed by Zhongli and the Target Company provided the corresponding counter-guarantee regarding the arrangement.

On 25 October 2010, the Company issued convertible note in the principal amount of HK$850,000,000 as part of the consideration for acquisition of solar energy business. The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$0.538 per share at any time up to the maturity date on 24 October 2015. The convertible note is treated as compound financial instruments with (i) a debt component as disclosed above and (ii) an equity component for which its carrying value was approximately of HK$1,406,847,000 as at 31 March 2013.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollar at the rates of RMB1 to HK$1.230.

General

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

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

WORKING CAPITAL STATEMENT

As at 31 December 2012, the Enlarged Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular. Section A(i) below details the financing measures undertaken by the Directors to finance the committed capital expenditures of RMB1.5 billion (approximately HK$1.8 billion) of the Target Group for at least the next 12 months from the date of this Circular. Sections A(ii) below details the financing plans of the Target Group to finance the uncommitted capital expenditures of RMB3.8 billion (approximately HK$4.7 billion) of the Target Group. Section B below details the financing measures undertaken by the Directors to finance its working capital of the Group for at least the next 12 months from the date of the Circular.

A. The Target Group

Taking into account the financial resources available to the Target Group, including internally generated funds, the Directors are of the opinion that the Target Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular, other than its estimated total capital expenditure till 31 May 2014 of RMB5.3 billion (approximately HK$6.5 billion).

During the year ended 31 December 2012, the Target Group has strategically entered into certain legally binding cooperation agreements or memoranda for the cooperation with Zhongli Talesun, GCL-Poly Investment and certain independent third parties for the investment, development and operation of both ground-based and rooftop solar power plant projects. The proposed investment, development and operation of solar power plant projects as contemplated by the relevant cooperation agreements or memoranda, which amongst others, are (1) subject to definitive agreements which will contain, *inter alia*, usual conditions precedent customary for similar transactions and (2) subject to government approvals. Save as disclosed herein, the relevant cooperation agreements or memoranda do not prescribe for specific capital commitment on any solar power plant projects.

As at 31 December 2012, the estimated total capital expenditure of the Target Group, net of (i) an up-front government subsidy of RMB0.6 billion (approximately HK$0.7 billion) and (ii) retention money of RMB0.4 billion (approximately HK$0.5 billion), up till 31 May 2014 was estimated to be approximately RMB5.3 billion (approximately HK$6.5 billion) of which approximately RMB1.5 billion

(approximately HK$1.8 billion) represents committed obligations. The amount of the up-front government subsidy is estimated based on the subsidy level of RMB5.5/W under Golden Sun Program multiply the capacity of rooftop solar power plant projects expected to be constructed in the next twelve months.

The committed obligations mainly arise from the Target Group's acquisition of the 100MW and 20MW solar power plant projects at JiaYuGuan and Gonghe of RMB1.3 billion (approximately HK$1.5 billion) and RMB0.2 billion (approximately HK$0.3 billion), respectively, and were recognised as current liabilities of the Target Group as at 31 December 2012. The remaining estimated capital expenditure of RMB3.8 billion (approximately HK$4.7 billion) does not constitute any committed obligations to the Target Group as at 31 December 2012.

Summarised below is the financing schedule and planned financing for the estimated capital expenditures of the Target Group, which amounted to RMB5.3 billion (approximately HK$6.5 million) up till 31 May 2014:

Ways of financing	**Committed obligations (recognised as current liabilities of the Target Group as at 31 December 2012)**		**Uncommitted obligations** *(note ii)*	**Total**
	(To be payable before 31 May 2014)	**(To be payable after 31 May 2014)**		
	RMB'billion	*RMB'billion*	*RMB'billion*	*RMB'billion*
Banking facilities	0.8 *(note i(a))*	0.1 *(note i(a))*	3.1	4.0
Financing arrangement with GCL-Poly Investment	—	—	0.2	0.2
Self generated funds/financial support from CM Yinke	—	0.6 *(note i(b))*	0.5	1.1
Total	0.8	0.7	3.8	5.3

(i) ***Financing measures under-taken by the Directors and financing plans of the Target Group to finance the committed obligations of RMB1.5 billion (approximately HK$1.8 billion)***

a. *Banking facilities*

As at 31 December 2012, the Target Group had drawn a loan of RMB100 million (approximately HK$124 million) from Suzhou Industrial Park Fuhai Investment Consultation Co., Ltd. (蘇州工業園區福海投資諮詢有限公司), and the loan was recognised as "other payables" of the Target Group as at 31 December 2012. Such loan was due for repayment in January 2013, and was refinanced by a loan of an equivalent amount from Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), an independent third party.

In addition, as at 31 December 2012, the Target Group had drawn another loan of RMB800 million (approximately HK$992 million) from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司), of which part of the loan of RMB400 million (approximately HK$496 million) will be due for repayment in September 2013, while the remaining balance of RMB400 million (approximately HK$496 million) will be due for repayment in December 2013. These loans were recognised as "borrowings" of the Target Group as at 31 December 2012 and were due for repayment or subject to renewal within 12 months from the date of this Circular.

The Directors of the Target Company are of the view that these borrowings totalling RMB900 million (approximately HK$1,116 million) due to Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司) and Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) will either be renewed or replaced by other financing arrangement before maturities of these loans or be funded by internally generated fund or other source of financing.

In particular, the Target Group entered into a loan agreement with China Development Bank (國家開發銀行) in March 2013. Pursuant to the aforementioned loan agreement, the Target Group has secured a long-term loan with a principal amount of RMB800 million (approximately HK$992 million) in preparation to refinance its RMB800 million (approximately HK$992 million) loan from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) for financing its 100MW solar power plant project in JiaYuGuan. Up to April 2013, the Target Group received loan proceeds totaling RMB400 million (approximately HK$496 million) from China Development Bank (國家開發銀行). Regarding the timing to receive the rest of the outstanding loan proceeds of RMB400 million to the Target Group, it is yet to be concluded and is subject to negotiation between the relevant parties but the outstanding loan proceeds would be granted on or before 28 March 2014 is accordance with the terms of the loan agreement. Such loan would be repaid by 27 semi-annual installments starting from the second year of the loan period, with the final installment falls due in March 2027.

In addition, Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司) agreed to extend the repayment date for RMB90 million (approximately HK$112 million) of the outstanding balance of RMB100 million (approximately HK$124 million) to after 30 June 2014. The remaining balance of RMB10 million (approximately HK$12 million) will be due in June 2013 and the Target Group is expected to settle it by its internally generated fund or other source of financing.

b. *Self generated funds/financial support from CM Yinke*

As at 31 December 2012, the Target Group had an outstanding balance of RMB575 million (approximately HK$713 million) due to Zhongli Talesun, which mainly arose from the acquisition of the solar power plant projects at JiaYuGuan and Gonghe. This balance was recognised as "other payables" of the Target Group as at 31 December 2012. In March 2013, Zhongli Talesun agreed to defer the repayment of the full outstanding balance to after 30 June 2014.

In March 2013, CM Yinke, which is a fellow subsidiary of the Target Company's shareholder, has issued a letter of conditional financial support to the Target Company to enable it to meet its liabilities and obligation (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to a period ending 30 June 2014. Such financing is intended to be provided to the Target Group for its existing and new solar energy projects undertaken provided that these projects are expected to generate a return of not less than 8% per annum and they are in compliance with the relevant laws and regulations in the PRC. Such assessment has to be made on a project by project basis. All of solar power plant projects with total capacity of 2.16GW which are owned or may be acquired by the Target Group by the financial year ending 31 December 2015, in relation to the Concession Rights, is expected to generate an internal rate of return of not less than 8% per annum.

(ii) ***Financing measures undertaken by the Director and financing plans of the Target Group to finance the uncommitted obligations of RMB3.8 billion (approximately HK$4.7 billion)***

As at 31 December 2012, the Target Group has not yet obtained any banking financing required for the uncommitted capital expenditures obligations with an estimated amount of RMB3.8 billion (approximately HK$4.7 million). In order to finance these investment and development of the solar power plant projects, the Directors have made the assumptions that (1) approximately 70% of the estimated total capital expenditure of the Target Group, net of an up-front government subsidy, would be financed by banking facilities, with reference to the past experience of the Target Group, and (2) the remaining 30% of such capital expenditure would be funded by internal resources and the conditional financial support from CM Yinke, as mentioned above, and the financing arrangements with GCL-Poly Investment, as mentioned below.

Based on the past experience of a project company within the Target Group which did secure external financing from certain financial institutions, the Directors of the Company are of the opinion that all relevant banking facilities could be obtained for each of the solar power plant projects upon the commencement of each of the relevant solar power plant projects, including but not limited to secure government approvals. In particular, the Target Group did secure external financing facilities totaling RMB900 million (approximately HK$1,116 million) from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司), Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司) and China Development Bank (國家開發銀行) to finance approximately 72% of the total capital expenditures of RMB1.3 billion (approximately HK$1.5 billion) required for the 100MW solar power plant project in JiaYuGuan.

The Target Group had entered into a framework agreement with GCL-Poly Investment, a direct wholly-owned subsidiary of GCL-Poly, on 14 November 2012, whereby GCL-Poly Investment or its affiliate will supply wafers or modules at market price for up to RMB5.0 billion (approximately HK$6.2 billion) over a period of 36 months, with trade credit support, subject to definitive agreements to be entered into by the parties. Wafers and modules are key components for construction of solar power plant projects, and purchases of such components will form part of the estimated capital expenditure of the Target Group. This arrangement provides the Target Group with flexibility to defer the repayment of the outstanding payable balances arising from purchases of these components for construction of solar power plant projects within the aforesaid limit.

Besides, the Directors of the Company are confident that they could successfully negotiate payment deferrals with the creditors until the relevant financing could be obtained as most of its creditors are existing shareholders of the Target Group, namely GCL-poly Investment or Zhongli Talesun, or their affiliates. For example, in March 2013, Zhongli Talesun agreed to defer the repayment of the whole outstanding balance arising from the acquisition of the solar power plant projects in JiaYuGuan and Gonghe to after 30 June 2014.

For the period from 31 December 2012 to 31 March 2013, the Target Group did not enter into any new commitments to acquire solar power plant projects. As a result, the uncommitted capital expenditures remained as RMB3.8 billion (approximately HK$4.7 billion) as at 31 March 2013.

B. The Group

Taking into account the financial resources available to the Group, including internally generated funds, the existing banking facilities of RMB377 million (approximately HK$467 million) and their successful renewal upon their maturities, the loan of RMB100 million (approximately HK$124 million) from Goldpoly (Xiamen) Trading Co., Ltd (金保利(廈門)商貿有限公司), the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular.

As at 31 December 2012, the Group's current liabilities exceeded its current assets by HK$250 million. Included in the current liabilities, there were utilised banking facilities of RMB309 million (approximately HK$383 million) as at 31 December 2012, which would fall due for repayment within a period of twelve-months period ending 31 December 2013. In addition, the Group had planned capital expenditure of HK$59 million which is expected to be incurred in the next 12 months. As at 31 March 2013, the Group's current liabilities exceeded its current assets by HK$261 million. Included in the current liabilities, there were utilised banking facilities of RMB295 million (approximately HK$366 million) as at 31 March 2013, which would fall due for repayment within a period of twelve-months from the date of this Circular.

The Group has the following arrangements to finance its working capital till 31 May 2014:

(i) ***Banking facilities***

As at 31 December 2012, the Group had total available banking facilities of RMB377 million (approximately HK$467 million), of which approximately RMB309 million (approximately HK$383 million) was utilised and approximately RMB68 million (approximately HK$84 million) was unutilised. All such banking facilities were subject to renewal within 12 months from the date of this Circular. In February 2013, the Group had successfully renewed a banking facility of RMB120 million (approximately HK$149 million) for another year. The Group has also commenced negotiations with another bank for renewal of the banking facility of RMB257 million (approximately HK$318 million), and has received favourable responses from the bank. The Group will commence the formal application for renewal of this banking facility shortly before its maturity in June 2013. Based on the past experience of the Group of successfully renewed the

banking facility in the past 3 years and our financial position, the Directors are of the opinion that all financing facilities could be successfully renewed or re-financed by other financial institutions before they mature.

As of 31 March 2013, the Group had total available banking facilities of RMB377 million (approximately HK$467 million), of which approximately RMB295 million (approximately HK$366 million) was utilised and approximately RMB82 million (approximately HK$101 million) was unutilised.

(ii) ***Loan from a related party***

On 18 December 2012, the Group entered into a loan agreement with Goldpoly (Xiamen) Trading Co., Ltd (金保利(廈門)商貿有限公司), a company which is beneficially controlled by a shareholder of the Company, for an interest-free loan of RMB100 million (approximately HK$124 million) which is repayable on 30 September 2014. The Group received the proceeds of the loan amounted to RMB60 million (approximately HK$74 million) in January 2013 and RMB40 million (approximately HK$50 million) in March 2013, respectively.

C. Assumptions in Determining the Sufficiency of the Working Capital of the Enlarged Group

In determining the sufficiency of the working capital of the Enlarged Group, the Directors have made the assumptions that (i) the Enlarged Group's existing available banking facilities of RMB377 million (approximately HK$467 million), the loans totaling RMB900 million (approximately HK$1,116 million) drawn from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) and Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), which are due for repayment or renewal within 12 months from 10 May 2013, will be duly renewed or otherwise replaced by new financing arrangements of equivalent amounts, and (ii) additional financing facilities of approximately RMB3.1 billion (approximately HK$3.8 billion), will be duly obtained in the next 12 months, for project financing the investment, development and operation of solar power plant projects as contemplated by the relevant cooperation agreements or memoranda.

D. Conclusion

Taking into account the expected completion of the Transaction and the financial resources available to the Enlarged Group, including the internally generated funds, the existing banking facilities of RMB377 million (approximately HK$467 million) and their successful renewal upon their maturities, the successful refinancing of the loans totaling RMB900 million (approximately HK$1,116 million) from Guo Kai Hou De (Beijing) Investment Fund Co., Ltd. (國開厚德(北京)投資基金有限公司) and Changshu Zhonghui Cable Accessory Limited (常熟市中滙電纜附件有限責任公司), the loan of RMB100 million (approximately HK$124 million) from Goldpoly (Xiamen) Trading Co., Ltd (金保利(廈門)商貿有限公司), deferral of repayment of the full outstanding balance due to Zongli Talesun of RMB575 million (approximately HK$713 million) arising from the acquisition of the solar power plant projects at JiaYuGuan and Gonghe, the availabilities of financial support from CM Yinke till 30 June

2014, the financing arrangement with GCL-Poly Investment and the additional project financing to be obtained of RMB3.1 billion (approximately HK$3.8 billion), and the assumptions regarding the financing arrangements for the Enlarged Group as set out in the preceding paragraphs, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular.

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

The following is the illustrative and unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), including the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of adjusted net tangible liabilities, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, which have been prepared to illustrate the effect of the Acquisition, as if it had taken place on 31 December 2012 for the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of adjusted net tangible liabilities; and as if they had taken place on 1 January 2012 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Group had the Acquisition been completed as at 31 December 2012 or 1 January 2012, where applicable, or any future dates.

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

(I) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

			Pro forma adjustments			
	Audited consolidated statement of financial position of the Group as at 31 December 2012	Audited consolidated statement of financial position of the Target Group as at 31 December 2012	Other pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2,3*	*Note 4*	*Note 5*	*Note 6*	
ASSETS						
Non-current assets						
Land use rights	139,909	644				140,553
Property, plant and equipment	857,165	1,883,517		284,288		3,024,970
Investment property	5,901	—				5,901
Goodwill	—	—		968,661	(968,661)	—
Intangible assets	—	129,109		2,244,891		2,374,000
Investments in associates	4,456	—				4,456
Investments in a subsidiary	—	—	2,871,333	(2,871,333)		—
Available-for-sale financial assets	219,240	—		(219,240)		—
Prepayments for purchase of plant and equipment	40,945	—				40,945
Deposits for investments	—	23,512				23,512
	1,267,616	2,036,782				5,614,337
Current assets						
Inventories	28,813	11,791				40,604
Trade and other receivables, deposits and prepayments	195,282	63,737				259,019
Pledged bank deposits	81,419	—				81,419
Cash and cash equivalents	32,297	50,245				82,542
	337,811	125,773				463,584
Total assets	1,605,427	2,162,555				6,077,921

		Pro forma adjustments				
	Audited consolidated statement of financial position of the Group as at 31 December 2012	Audited consolidated statement of financial position of the Target Group as at 31 December 2012	Other pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2,3*	*Note 4*	*Note 5*	*Note 6*	
EQUITY						
Equity attributable to the shareholders of the Company						
Share capital	88,191	4	93,945	(4)		182,136
Reserves	135,781	266,985	1,285,098	(257,301)	(968,661)	461,902
	223,972	266,989				644,038
Non-controlling interests	—	2,417				2,417
Total equity	223,972	269,406				646,455
LIABILITIES						
Non-current liabilities						
Convertible notes	652,665	—	220,586			873,251
Deferred income tax liabilities	31,339	—		664,572		695,911
Deferred government grant	84,000	—				84,000
Derivative financial liabilities	—	—	1,271,704			1,271,704
Amounts due to shareholders	26,000	—				26,000
	794,004	—				2,950,866
Current liabilities						
Trade and bills payables, other payables and accruals	488,686	897,985				1,386,671
Bank borrowings	98,765	—				98,765
Other borrowings	—	995,127				995,127
Tax payables	—	37				37
	587,451	1,893,149				2,480,600
Total liabilities	1,381,455	1,893,149				5,431,466
Net current liabilities	(249,640)	(1,767,376)				(2,017,016)
Total equity and liabilities	1,605,427	2,162,555				6,077,921

(II) Unaudited Pro Forma Consolidated Statement of Adjusted Net Tangible Liabilities of the Enlarged Group

	Audited consolidated net tangible assets of the Group as at 31 December 2012 *HK$'000* *Note 9*	**Audited consolidated net tangible assets of the Group per share as at 31 December 2012** *HK$* *Note 10*	**Unaudited pro forma consolidated statement of adjusted net tangible liabilities of the Enlarged Group as at 31 December 2012** *HK$'000* *Note 3,11*	**Unaudited pro forma consolidated statement of adjusted net tangible liabilities of the Enlarged Group per share as at 31 December 2012** *HK$* *Note 3,12*
Net tangible assets/ (liabilities) attributable to equity holders of the Company	223,972	0.2540	(1,729,962)	(0.9498)

(III) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

			Pro forma adjustments				
	Audited consolidated income statement of the Group for the year ended 31 December 2012	**Audited consolidated income statement of the Target Group for the year ended 31 December 2012**	**Other pro forma adjustments**				**Unaudited pro forma consolidated income statement of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2,3*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Revenue	223,269	10,923					234,192
Cost of sales	(289,806)	(13,733)			(331)		(303,870)
Gross (loss)/profit	(66,537)	(2,810)					(69,678)
Other income	6,279	—	208,080				214,359
Other (losses)/ gains — net	(613,485)	(888)					(614,373)
Distribution costs	(7,041)	(197)					(7,238)
Administrative expenses	(66,952)	(38,893)		(968,661)		(10,890)	(1,085,396)
Operating loss	(747,736)	(42,788)					(1,562,326)
Finance income	1,629	77					1,706
Finance costs	(66,585)	(41)			(9,519)		(76,145)
Finance cost — net	(64,956)	36					(74,439)
Share of loss of an associate	(667)	—					(667)
Loss before income tax	(813,359)	(42,752)					(1,637,432)
Income tax (expense)/credit	(1,442)	—			1,374		(68)
Loss for the year	(814,801)	(42,752)					(1,637,500)
Loss for the year attributable to:							
Equity holders of the Company	(814,801)	(42,423)					(1,637,171)
Non-controlling interest	—	(329)					(329)
	(814,801)	(42,752)					(1,637,500)

(IV) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

		Pro forma adjustments					
	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2012	**Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 December 2012**	**Other pro forma adjustments**				**Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2,3*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
Loss for the year	(814,801)	(42,752)	208,080	(968,661)	(8,476)	(10,890)	(1,637,500)
Other comprehensive income							
Change in value of available-for-sale financial assets	198,396	—	(198,396)				—
Exchange differences arising on translation of financial statements of subsidiaries	(11,416)	97					(11,319)
Total comprehensive loss for the year, net of tax	(627,821)	(42,655)					(1,648,819)
Total comprehensive loss for the year attributable to:							
Equity holder of the Company	(627,821)	(42,326)					(1,648,490)
Non-controlling interest	—	(329)					(329)
	(627,821)	(42,655)					(1,648,819)

(V) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

		Pro forma adjustments		
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2012	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012	Other pro forma adjustments	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2,3*	*Note 8*	
Cash flows from operating activities				
Cash generated from/(used in) operations	127,102	(67,555)		59,547
Income tax paid	(11,622)	—		(11,622)
Interest paid	(7,979)	—		(7,979)
Net cash generated from/(used in) operating activities	107,501	(67,555)		39,946
Cash flows from investing activities				
Purchase of property, plant and equipment	(196,639)	(15,841)		(212,480)
Acquisition of assets, net of cash acquired	—	37,557	(10,890)	26,667
Prepayment for long term assets	—	(23,244)		(23,244)
Interest received	1,629	77		1,706
Net cash used in investing activities	(195,010)	(1,451)		(207,351)
Cash flows from financing activities				
Net proceeds from issuance of new shares	149	97,888		98,037
Proceeds from shareholders' loan	20,200	—		20,200
Proceeds from new bank borrowings	98,765	—		98,765
Proceeds from other borrowings	—	73,782		73,782
Repayment of bank borrowings	(136,472)	—		(136,472)
Repayment of other borrowings		(61,485)		(61,485)
Contribution from non-controlling interest	—	5,546		5,546
Increase in pledged bank deposits	(26,239)	—		(26,239)
Net cash (used in)/generated from financing activities	(43,597)	115,731		72,134
Net (decrease)/increase in cash and cash equivalents	(131,106)	46,725		(95,271)
Cash and cash equivalents at beginning of year	162,751	2,945		165,696
Effect of foreign exchange rate changes	652	—		652
Cash and cash equivalents at end of year	32,297	49,670		71,077

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1 The unadjusted audited consolidated statement of financial position of the Group as at 31 December 2012, the unadjusted audited consolidated income statement, the unadjusted audited consolidated statement of comprehensive income and the unadjusted audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 are extracted from the published annual report of the Company for the year ended 31 December 2012.

2 The audited consolidated statement of financial position of the Target Group as at 31 December 2012, the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2012 are extracted from the financial information of the Target Group as set out in Appendix II to this circular.

3 For the purpose of preparing the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of adjusted net tangible liabilities of the Enlarged Group, the translation of RMB to HK$ was made at a rate of RMB1 to HK$1.244. For the purpose of preparing the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, the translation of RMB to HK$ was made at a rate of RMB1 to HK$1.230.

4 The adjustments represent the consideration of the Acquisition which will be settled in the following manner:

(i) Issuance of 959,462,250 shares of the Company with a par value of HK$0.10 each. Among the shares to be issued, 20,010,000 shares will be issued to Sino Arena Investments Limited (the "Trustee") for the purposes of the equity incentive scheme (the "EIS") of the Target Group. Since the Trustee will be accounted for as a special purpose vehicle of the Enlarged Group under Hong Kong (SIC) — Interpretation 12 "Consolidation — Special Purpose Entities" after the Acquisition, its financial results and financial position will be consolidated into the Enlarged Group. The 20,010,000 shares issued to the Trustee would be consolidated as own shares held by the Company, and those shares are still held by the Trustee on trust. They will not be calculated as part of the consideration transferred, other than those mentioned in Note 4(iii) below.

For the purposes of the Unaudited Pro Forma Financial Information, the fair value of the remaining 939,452,250 shares to be issued by the Company (the "Consideration Shares") amounted to HK$1,193,105,000 is determined with reference to the closing price of the Company of HK$1.27 per share as at 31 December 2012.

Since the fair values of the Consideration Shares on the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amounts of the fair values of the Consideration Shares may be different from the amounts presented above.

HK$93,945,000 out of the balance of HK$1,193,105,000 is reflected as share capital which represents par value of the issued share. The remaining balance of HK$1,099,160,000 is recorded under equity as reserves.

(ii) Issuance of zero coupon convertible bonds with a principal amount of approximately HK$1,160,448,000, which comprises Series A Convertible Bonds with a principal amount of approximately HK$312,484,000 and Series B Convertible Bonds with a principal amount of approximately HK$847,964,000. For the same reason as stated in Note 4(i) above, convertible bonds with a principal amount of HK$80,040,000, which comprises Series A Convertible Bonds with a principal amount of approximately HK$40,020,000 and Series B Convertible Bonds with a principal amount of approximately HK$40,020,000, issued to the Trustee will not be calculated as part of the consideration transferred, other than those mentioned in Note 4(iii) below.

Based on a separate valuation report dated 10 May 2013 prepared by the independent valuer, American Appraisal China Limited, the fair value of the remaining convertible bonds with a principal amount of approximately HK$1,080,408,000 (the "Convertible Bonds"), which comprises Series A Convertible Bonds with a principle amount of approximately HK$272,464,000 and Series B Convertible Bonds with a principle amount of approximately HK$807,944,000, is HK$1,654,597,000 as at 31 December 2012.

Series A Convertible Bonds has a liability component and an equity component. The fair value of the liability component was estimated to be HK$220,586,000 and is recorded under non-current liabilities as convertible notes. The fair value of the equity component was estimated to be HK$162,307,000 and is recorded under equity as reserves.

The fair value of the liability component of Series A Convertible Bonds is determined by using the discounted cash flow method, with the following key assumptions.

Time to maturity	5 years
Discount rate	4.3155%
Probability of events of default	0%
Probability of early redemption	0% (due to zero coupon)

The fair value of the equity component of Series A Convertible Bonds is determined by using the binomial model, with the following key assumptions:

Fair value of shares of the Company	HK$1.27 each
Conversion price	$1.00 per share
Risk free interest rate	0.323%
Time to maturity	5 years
Expected volatility	59%
Expected dividend yield	0%
Bond yield	4.3155%
Conversion period	After 1 year up to maturity date
Early redemption period	After 1 year up to maturity date

As Series B Convertible Bonds shall be held under escrow and will be subject to the Profit Guarantee arrangement, the related principal amount payable would be adjusted according to a predefined formula set forth in the Sales and Purchase Agreement. This constitutes a contingent consideration arrangement as defined under Hong Kong Financial Reporting Standard 3 (Revised), "Business Combinations" ("HKFRS 3 (Revised)"), whose fair value was estimated to be HK$1,271,704,000 as at 31 December 2012 and is recorded as derivative financial liabilities.

Since the directors are of the opinion that the Profit Guarantee arrangement could be met with an expected probability of 100%, the fair valuation of Series B Convertible Bonds is estimated using a similar approach as Series A Convertible Bonds, as disclosed above, with similar key assumptions being applied except for the conversion period and early redemption period where they are expected to be after 3 years after the issuance date up to maturity date.

Since the fair values of the Convertible Bonds of the Company on the date of completion of the Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial Information, the final amounts of the fair values of the Convertible Bonds of the Company may be different from the amounts presented above.

(iii) Under HKFRS 3 (Revised), the fair value of shares issued by the Target Group under the EIS for the pre-combination services rendered by directors, employees and consultants of the Target Group for the period from August 2012 to the year ended 31 December 2012 shall be included in the measurement of the consideration transferred, which was estimated to be HK$23,631,000. The basis to determine the fair value of the Target Group is included in Note 5(i) below.

5 Upon the completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the Unaudited Pro Forma Financial Information at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised). For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the identifiable assets and liabilities of the Target Group as at 31 December 2012, based on separate valuation reports both dated 10 May 2013 prepared by the independent valuer, American Appraisal China Limited. The fair value of the rights to develop and operate various solar power plant projects (the "Concession Rights") is estimated to be approximately HK$2,660,000,000. The valuation of the Concession Rights prepared using the Adjusted Present Value method under the income approach.

Key assumptions adopted are extracted as follows:

Estimated useful life	25 years
Capacity	2.16GW
Insolation hours:	
— Rooftop projects	1,370MWh/MWp
— Ground projects	1,600MWh/MWp–1,800MWh/MWp
Degradation factor	0.8% per annum
Electricity tariff	RMB0.6/kWh–RMB1.0/kWh
Discount rate	8.5%–10.0%

The fair value adjustments comprise:

- fair value surplus of the property, plant and equipment of the Target Group of HK$284,288,000, which comprises fair value surplus of Concession Rights of HK$286,000,000 and fair value deficit of HK$1,712,000 of the property, plant and equipment of the Target Group. As at 31 December 2012, the Target Group had already acquired two ground-based solar power plant projects projects located at JiaYuGuan and Qinghai with capacity of 100MW and 20MW, respectively, and had completed the development of a rooftop solar power plant in Shenzhen Qianhai with initial generation capacity of 2.1MW. The related capital expenditures had been reflected in the property, plant and equipment of the Target Group. The fair value surplus of the related Concession Rights of HK$286,000,000 is reflected as property, plant and equipment;

- fair value surplus of intangible assets of HK$2,244,891,000, which is based on fair value of the Concession Rights of HK$2,660,000,000 less fair value surplus reflected in property, plant and equipment of HK$286,000,000 less intangible assets of RMB103,193,000 (equivalent to approximately HK$129,109,000) already reflected in the books and records of the Target Group as at 31 December 2012; and

- related deferred tax liabilities of HK$71,072,000 and HK$593,500,000 arising from the fair value surplus on the property, plant and equipment and the intangible assets, respectively, based on the applicable tax rate of 25%.

The excess amount of the consideration over the Group's share of the fair value of the net identifiable assets of the Target Group is recognised as goodwill.

The goodwill arising from the Acquisition of the Target Group is calculated as follows:

	HK$'000
Consideration transferred:	
Consideration Shares *(Note 4(i))*	1,193,105
Convertible Bonds *(Note 4(ii))*	1,654,597
Fair value of shares issued by the Target Group for pre-combination services rendered under the EIS *(Note 4(iii))*	23,631
Sub-total	2,871,333
Fair value of previously held interests in the Target Group *(Note 5(i))*	228,924
Total Consideration	3,100,257
Less:	
Net assets of the Target Group as at 31 December 2012	266,989
Fair value surplus of property, plant and equipment	284,288
Fair value surplus of intangible assets	
— Rights to operate and construct various solar power plants	2,244,891
Effect on deferred tax liabilities arising from:	
— Fair value surplus of property, plant and equipment	(71,072)
— Fair value surplus of Concession Rights as intangible assets	(593,500)
Total identified assets acquired and liabilities assumed	2,131,596
Goodwill	968,661

Notes:

(i) As at 31 December 2012, the Company held an approximately 8% equity interest as available-for-sale investment in the Target Group. The Acquisition is accounted for as a business combination achieved in stages. In accordance with HKFRS 3 (Revised), the acquirer should re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the profit and loss.

As at 31 December 2012, the fair value of the previously held equity interest in the Target Group was HK$228,924,000. The fair value of the Company's previously held interest in the acquiree is estimated by multiplying the Company's then ownership percentage with the fair value of the Target Group as at 31 December 2012. The fair value of the Target Group of HK$2,798,585,000 is determined based on the equity of Target Group of HK$269,406,000, adjusted for fair value surplus of property, plant and equipment and intangible assets of HK$284,288,000 and HK$2,244,891,000, respectively. The difference of HK$208,080,000 between the fair value of the Company's previously held interest in the Target Group of HK$228,924,000 as at 31 December 2012 and its original investment costs of HK$20,844,000 is recognised as a gain from the deemed disposal of this available-for-sale financial asset for the purposes of the Unaudited Pro Forma Financial Information, which includes the realisation of the fair value gain of HK$198,396,000 previously recognised as reserves under equity of the Company.

Since the fair values of the Consideration Shares, the Convertible Bonds, the Company's previously held interest in the Target Group and the identifiable assets and liabilities of the Target Group at the Completion Date may substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets (including intangible assets), goodwill and gains from the deemed disposal to be recognised in connection with the Acquisition may be different from the amounts presented above.

The adjustments also include consolidation entries for the elimination of investment cost of the Target Company and share capital and reserve of the Target Group.

6. The adjustment represents impairment of goodwill arising from the Acquisition. Pursuant to the Sales and Purchase Agreement, the Company has conditionally agreed to purchase approximately a 92% equity interest in the Target Group by the allotment and issue of Consideration Shares and Convertible Bonds. Under HKFRS 3 (Revised) consideration transferred in relation to business combination is required to be fair valued on the acquisition date. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Consideration Shares and Convertible Bonds have been fair valued based on the closing price of the Company's share of HK$1.27 per share as at 31 December 2012. As described in Note 5, the fair value of the net identifiable assets acquired of the Target Group is determined with reference to an independent valuation report. Accordingly, any goodwill or negative goodwill arising from the Acquisition will be dependent on, amongst other factors, the closing price of the Company's share on the Completion Date.

The goodwill of HK$969 million mainly represents the differences between (i) the fair value of the total consideration of HK$3,100 million which is partly determined by the closing share price of the Company (see Note 4 for the detailed disclosure on the basis in determining the total consideration) and (ii) the fair value of the net identifiable assets acquired of the Target Group of HK$2,132 million, assuming the completion of the Acquisition on 31 December 2012.

As mentioned in the preceding paragraph, the goodwill recognised for the Acquisition represents the excess of the fair value of the total consideration over the fair value of the net identifiable assets acquired of the Target Group.

For the purpose of the Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with Hong Kong Accounting Standard 36, "Impairment of Assets" ("HKAS 36"), which is consistent with the accounting policy of the Company.

In accordance to the requirements of HKAS 36, management has assessed the impairment of goodwill by considering whether the carrying amounts of goodwill plus the net identifiable assets of the underlying business of the Target Group exceed the recoverable amount of such underlying business as at 31 December 2012. Should the recoverable amount is below the carrying amounts of goodwill plus the net identifiable assets of the underlying business of the Target Group, the goodwill will be impaired.

The recoverable amount of the underlying business of the Target was determined with reference to a separate valuation report on the fair value of the underlying business of the Target Group as of 31 December 2012 using the discounted cash flows model dated 10 May 2013 prepared by an independent valuer, American Appraisal China Limited.

Such recoverable amount mainly represented the discounted cash inflows from developing and operating various solar power plant projects, being the only core business of the Target Group, which is the same as the carrying value of the net identified assets recognised upon the completion of the Acquisition. Certain key assumptions adopted in the valuation of the underlying business of the Target Group have been set out in Note 5 above and for the details of the assumptions being used in the aforesaid report, please refer to pages 341 to 357 of the Circular. Taking into consideration that the fair value of net identifiable assets acquired of the Target Group approximates the recoverable amount based on the independent valuation report as described above, the carrying value of the goodwill of HK$968,661,000 is considered to be not recoverable, and an impairment charge of the same amount has been included in the Unaudited Pro Forma Financial Information.

For the purpose of preparing the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, the amounts of fair values of the net identifiable assets acquired of the Target Group and the fair value of the total consideration were made reference to the parameters as described in Note 4 or aforementioned independent valuation reports, where appropriate. No separate valuation report as at 1 January 2012 was prepared. Had these reports or valuations been prepared, the amounts of the fair values of the net identifiable assets, the amounts of goodwill and impairment provision for assets (including goodwill) for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be different from the amounts presented in this appendix and the difference may be significant.

Since the fair values of the Company's shares at the Completion Date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information, the final amounts of goodwill and impairment provision for assets (including goodwill) to be recognised in relation to the Acquisition may be different from the amounts presented above as a result of the changes in key assumptions, including but not limited to, the share price of the Company on the date of issuance, the progress of the various projects, the status of obtaining approval from government, the capital expenditure to be incurred and the electricity tariffs.

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

7 The adjustments represent:

(i) The additional depreciation of property, plant and equipment of approximately HK$331,000 and the related deferred tax impact of approximately HK$83,000, as a consequence of the recognition of the fair value surplus of property, plant and equipment which is ready for use as mentioned in Note 5 above. Only HK$8,288,000 out of fair value surplus of HK$284,288,000 relates to property, plant and equipment that is ready for use as at 31 December 2012. It mainly relates to the completed development of a rooftop solar power plant in Shenzhen Qianhai with initial generation capacity of 2.1MW. The remaining fair value surplus mainly relates to the two ground-based solar power plant projects located at JiaYuGuan and Qinghai, whose construction was still in progress as at 31 December 2012. The annual depreciation expense is calculated using the straight-line method to allocate the cost of the property, plant and equipment over remaining useful life of 25 years.

(ii) The annual imputed interest expenses of the Convertible Bond of HK$9,519,000 is calculated by multiplying the outstanding principal amount as at 1 January 2012 by the effective interest rates of 4.3155%.

8 The adjustment represents the estimated transaction costs of approximately HK$10,890,000 payable by the Company in connection with the Acquisition.

This adjustment is not expected to have continuing effect on the Enlarged Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statements of cash flows.

9 The unadjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2012 of HK$223,972,000 is derived from the published annual report of the Company as at and for the year ended 31 December 2012, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2012 of HK$223,972,000.

10 The audited consolidated net tangible assets of the Group per share as at 31 December 2012 is determined based on 881,908,389 shares issued and outstanding as at 31 December 2012.

11 The unaudited pro forma consolidated statement of adjusted net tangible liabilities of the Enlarged Group attributable to the equity holders of the Company as at 31 December 2012 of HK$1,729,962,000 is derived from the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in section I of this appendix, which is based on the unaudited pro forma consolidated adjusted net assets of the Enlarged Group attributable to the equity holders of the Company as at 31 December 2012 of HK$644,038,000, excluding for intangible assets as at 31 December 2012 of HK$2,374,000,000.

12 The unaudited pro forma consolidated statement of adjusted of net tangible liabilities of the Enlarged Group per share as at 31 December 2012 is determined based on 1,821,360,639 shares outstanding as at 31 December 2012 and assumed to be issued, representing 881,908,389 existing shares as at 31 December 2012 and 939,452,250 Consideration Shares to be issued pursuant to the Acquisition without taking into account of the shares to be issued upon the conversion of the convertible bonds.

13 Apart from the Acquisition, no other adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions entered into by the Group and the Target Group subsequent to 31 December 2012, and to the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions entered into by the Group and the Target Group subsequent to 31 December 2012. In particular, the Unaudited Pro Forma Financial Information has not taken into account the completion of the acquisitions of 90% and 51% equity interests in the two project companies owned by GCL-Poly Energy Holdings Limited, by the Target Group, in relation to the construction and operations of rooftop power plants with electricity generating capacity for cash considerations of RMB6 million and RMB17 million, respectively, in February 2013.

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

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

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF GOLDPOLY NEW ENERGY HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 315 to 326 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix IV of the circular dated 10 May 2013 (the "Circular") of Goldpoly New Energy Holdings Limited (the "Company"), in connection with the proposed acquisition of approximately 92.17% of the entire issued share capital of China Merchants New Energy Holdings Limited (the "Target Company") (the "Acquisition") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 321 to 326 of the Circular.

Respective responsibilities of directors of the Company and the reporting accountant

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

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

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the

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underlying financial information, consisted primarily of comparing the consolidated statement of financial position of the Group as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2012 as set out in the "Unaudited Pro forma Financial Information of the Enlarged Group" section of this Circular with the consolidated financial information of the Group for the year ended 31 December 2012 as set out in the published annual report of the Company for the year ended 31 December 2012, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at 31 December 2012 or any future date, or

— the results and cash flows of the Group for the year ended 31 December 2012 or any future periods.

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 May 2013

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Leading / Thinking / Performing



10 May 2013

The Directors
Goldpoly New Energy Holdings Limited

Our Ref.: 12/1838

Dear Sirs,

VALUATION REPORT ON THE CONCESSION RIGHTS

Pursuant to the terms, conditions and purpose of an engagement agreement dated 16 August 2012 and engagement supplemental agreement dated 20 December 2012 (collectively known as "Engagement Agreements") between Goldpoly New Energy Holdings Limited ("Goldpoly" or "Client") and American Appraisal China Limited ("American Appraisal"), we were retained to assist the Client in the valuation analysis ("Valuation") of the development, operation and other rights ("Concession Rights") in relation to certain solar power plant projects with a total capacity of up to approximately 2.16GW ("Proposed Projects") which are owned by or may be acquired by China Merchants New Energy Holdings Limited ("CMNE" or "Target Company") and its subsidiaries ("Target Group") in or prior to year 2015 as contemplated under certain agreements or framework agreements, described herein this report, entered into by the Target Group on or before 31 December 2012. The valuation date is set at 31 December 2012 ("Valuation Date"). This report identifies the assets appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilised, and presents our conclusions of value.

Goldpoly is a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and contemplates the acquisition of 92.17% of the issued share capital of CMNE ("Proposed Transaction") which constitutes a very substantial acquisition for Goldpoly under Chapter 14 of the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules"). The purpose of the Valuation is to assist the Client in the determination of fair value of the Concession Rights related to the Proposed Projects 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

The Client intends to acquire a 92.17% of the entire issued share capital of CMNE. With the Client's approval and as stipulated by the Engagement Agreements in formulating our opinion on the fair value of the Concession Rights related to the Proposed Projects owned or may be acquired by the Target Group subject to terms and conditions in certain agreements, we relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the Proposed Projects provided by the Target Company. Since the Target Company is at a very preliminary stage of operation and has no historical track record, the fair value of the Concession Rights related to the Proposed Projects 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 Proposed Projects 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 Proposed Projects or the Target Company to which such analyses or forecasts relate. We can give no assurances, however, that such financial analyses and forecasts can be realised or that actual results will not vary materially from those projected.

The intended use of the Valuation is to serve as the basis for the compliance of the Listing Rules and financial accounting purposes. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company 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. The fair value of Concession Rights related to the Proposed Projects is equivalent to the intrinsic value of the options (or derivatives) to acquire or develop the projects (underlying assets), while the estimated acquisition costs or capital expenditures of the Proposed Projects represent the exercise price of these options, as oppose to existing legal commitments and obligations of the underlying Proposed Projects, as of the Valuation 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.

DESCRIPTION OF THE TARGET GROUP

The Target Group is engaged in the design, development, investment, operation and management of solar power plants, both ground-based solar power plants (''Ground Projects'') and rooftop solar power plants (''Rooftop Projects''). The Target Group also engages in the assembling of solar modules, which can be installed for solar electricity generation, through its subsidiary in Fujian Province of the PRC.

The Target Company was incorporated in the BVI on 8 February 2007 with an initial authorised share capital of US$50,000 divided by 50,000 shares (US$ 1 each share) and 100 shares issued to China Green Holdings Limited (''China Green'').

On 16 January 2012, China Merchants New Energy Group Limited (''CMNEG''), GCL-Poly Investment Limited (''GCL-Poly Investment''), Renewable Energy Trade Board Corporation (''EBOD''), formerly known as and China Technology Development Group Corporation (''CTDC''), and Target Company entered into a cooperation framework agreement to develop solar projects in the United States and China.

On 2 April 2012, the exclusive rights to the development of 180MW solar power plant projects (''Asset Injection'') were transferred from CMNEG to the Target Company in exchange for 220 shares in the Target Company representing 68.75% of the issued share capital and since then the Target Company was renamed as China Merchants New Energy Holdings Limited. A valuation report by another firm was issued on the Asset Injection and was valued at approximately HKD190 million as of 31 December 2011. Subsequently, the negotiated price for the Asset Injection was determined at approximately HKD132 million, representing approximately HKD0.73/W or HKD600,000/share before the share split. Among the development rights of 180MW solar power plant projects, 122MW, i.e. under agreements no. 8, 9, 10 on Table A in the Letter from the Board, was included in the Proposed Projects for the Valuation given the progress and stage of the development as of the Valuation Date.

On 30 April 2012, GCL-Poly Investment, through its indirect wholly-owned subsidiary, subscribed 80 shares of the Target Company before the share split by cash at approximately HKD48 million and, upon the completion of the subscription, the Target Company was owned as to 55% by CMNEG, 25% by China Green and 20% by GCL-Poly Investment. The subscription price was referenced to the transacted price of the Asset Injection.

On 23 May 2012, Goldpoly, through its direct wholly-owned subsidiary, completed the acquisition of 36 shares of the Target Company from China Green, representing 9% of the then issued share capital of CMNE. On the same day, Hyatt Servicing Limited (''Hyatt Servicing'') completed the acquisition of 24 shares in CMNE from China Green, representing 6% of the then issued share capital of CMNE. The considerations of the above acquisitions were referenced to the transacted price of the Asset Injection.

On 29 June 2012, Talesun Solar Hong Kong Limited ("Talesun") invested in CMNE for 40 shares before the share split at approximately HKD1,250,000/share, more than double of the transacted price of the Asset Injection. Talesun is a limited liability company incorporated in Hong Kong on 24 May 2011. The company is held by 中利騰暉光伏科技有限公司 ("Zhongli Talesun"), which is held as to 66.29% by 中利科技集團股份有限公司 ("Zhongli Group") listed on the Shenzhen Stock Exchange. Following the completion of the transaction, Talesun owned 9.09% equity interests in the Target Company.

On 31 July 2012, the Target Company adopted an incentive scheme for the staffs by the issue of certain shares, representing 4.35% equity interests in the Target Company, to Sino Arena Investments Limited (BVI) who in turn holds the shares for the benefit of the participants of the incentive scheme.

Upon the series of strategic investments and alliance by shareholders, the Target Company is positioned as the integrated solar power plants developer and operator affiliated with the central state-owned enterprise ("SOE") under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council with cost effective up-stream raw material supply and module manufacturing capacity. The shareholding structure of the Target Company as of the Valuation Date is shown below:

Shareholders of the Target Company	**No. of shares (*)**	**% of holdings as of the Valuation Date**
CMNEG	275,000,000	47.83%
GCL-Poly Investment		
— through Ease Soar Limited (BVI)	100,000,000	17.39%
Renewable Energy Trade Board Corporation (formerly known as CTDC)		
— through China Green Holdings Limited (BVI)	50,000,000	8.69%
Talesun Solar Hong Kong Limited	50,000,000	8.69%
Goldpoly		
— through Profit Icon Investments Limited (BVI)	45,000,000	7.83%
Hyatt Servicing Limited (BVI)	30,000,000	5.22%
Sino Arena Investments Limited (BVI)	25,000,000	4.35%
Total	575,000,000	100.00%

(*) After one for 100 share split on 31 July 2012.

DESCRIPTION OF THE PROPOSED PROJECTS AND RELATED FUTURE CAPITAL INVESTMENT

Total power generation capacity of the Proposed Projects included in the Valuation amounted to approximately 2.16GW. Among them, 142MW belongs to self-developed projects while the balance of 2.02GW belongs to projects that may be acquired. Proposed Projects are be categorised into 2012–13 Projects, 2014 Projects and 2015 Projects, according to the expected year of commencement of construction. The following table summarised the Proposed Projects pipeline included in the Valuation by type and capital expenditure net of expected government subsidy by type of projects:

	Capacity of solar power plant projects to be acquired or developed in year (unit: MW)										(unit: RMB'M) Capital expenditure net of government subsidy		
Types of	2012		2013		2014		2015		Total				
solar power plants:	Rooftop	Ground	Rooftop	Ground	Rooftop	Ground	Rooftop	Ground	Rooftop	Ground	Rooftop	Ground	Total
Self-develop	2	—	45	—	95	—	—	—	142	—	708	—	708
Acquired or may be acquired from													
GCL-Poly Investment	—	—	67	310	30	10	—	740	97	1,060	596	10,070	10,666
Zhongli Talesun	—	—	24	120	—	—	—	300	24	420	566	5,214	5,780
Zhengtai	—	—	—	—	—	252	—	—	—	252	—	2,747	2,747
Zhengxin	—	—	—	—	—	14	—	—	—	14	—	153	153
Furui	—	—	5	—	150	—	—	—	155	—	1,552	—	1,552
Total	2	—	141	430	275	276	—	1,040	418	1,746	3,421	18,183	21,605

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

Self-develop projects:

All projects under self-develop category are Rooftop Projects. The Target Group has its own project teams to identify and develop potential solar power plant projects based on the specific internal procedures and requirements for obtaining upfront capital expenditure subsidy from the PRC government known as the Golden Sun Program described herein industry overview section. The Target Group will purchase and install solar power systems on rooftops of properties which may be eligible for the Golden Sun Program. Upon commercial operations, the subject sells the electricity to end-users at the tariff not higher than retail level from the State Grid Corporation of China ("State Grid"). As at 31 December 2012, the Target Group has completed the development of a rooftop solar power plant in Shenzhen with initial generation capacity of 2MW.

The Target Group has entered into the following framework agreements and agreements in relation to self-develop projects:

1. on 28 November 2011, with 招商局物流集團有限公司 (China Merchants Logistics Holdings Co., Ltd., "CMLH") regarding the exclusive right of the Target Group to lease the rooftops of certain properties owned by CMLH in China with a total gross area of not less than one million square meters for a term of 25 years for installation of rooftop solar power plants/ systems. The Target Group is expected to develop a total of 100MW within next 3 years of which 5MW has been granted with subsidy from the Golden Sun Program, jointly approved

by the Ministry of Finance (财政部), Ministry of Science and Technology (科技部) and National Energy Administration (國家能源局) in the 2nd half of 2012. Please also refer to agreement no. 8 under Table A in the Letter from the Board;

2. on 29 December 2011, with 中國深圳外輪代理有限公司 (China (Shenzhen) Ocean Shipping Agency Co., Limited, "CSOSA") regarding the exclusive right of the Target Group to lease the rooftops of certain properties owned by CSOSA in China with a total area of not less than 20,000 square meters for a term of 25 years for installation of solar power plants/ systems with a capacity of 2MW. Please also refer to agreement no. 9 under Table A in the Letter from the Board;

3. on 30 December 2011, with 招商局保税物流有限公司 (China Merchants Bonded Logistics Co., Limited, "CMBL") regarding the exclusive right of the Target Group to lease the rooftop of certain properties owned by CMBL in China with a total area of not less than 200,000 square meters for a term of 25 years for installation of rooftop solar power plants/ systems. The Target Group is expected to install 20MW solar power systems of which the operation of 2MW in a small-scale power plant as a demonstration case has commenced commercial operation in November 2012 and has been applying with the subsidy from the Golden Sun Program. Please also refer to agreement no. 10 under Table A in the Letter from the Board;

4. on 29 October 2012, with 浙江萬豐奥威汽輪股份有限公司 (Zhejiang Wanfeng Auto Wheel Co., Ltd., "ZWAW") regarding the construction of 30MW solar power plant. In December 2012, 20MW has been granted with subsidy from the Golden Sun Program, and are accounted in the Valuation. Please also refer to agreement no. 12 under Table A in the Letter from the Board.

These above contracts give the Target Group the exclusive right to lease at least 1.22 million square meters rooftops for installation of the rooftop solar power plants/systems and sell the electricity to the property owners. The total capacity under this category of projects amounted to 142MW and is included as a part of the Proposed Projects in the Valuation. With reference to the engineering, procurement and construction ("EPC") contracts between the Target Group and a related company of GCL-Poly Investment, which is on arm's length basis, the construction cost for self-develop projects is estimated at RMB10.5/W ("Assumed Unit Construction Cost (Rooftop)") of which subsidy from the Golden Sun Program is expected to be obtained, which is currently at RMB5.5/W.

Projects acquired or may be acquired:

As at the Valuation Date, the Target Group entered into a series of legally binding agreements (including framework agreements), pursuant to which the Target Group obtained various rights, which include the right to acquire equity interest of solar power plant project companies from partners including Zhongli Talesun, GCL-Poly Investment, Zhengtai, Zhengxin and Furui defined herein in this report (collectively known as "Partner(s)") upon completion of construction and obtaining government approval/subsidies on tariff and capital expenditure, or other criteria set out in the framework agreements.

(A) ***Acquisition of projects from GCL-Poly Investment***

(1) *Cooperative framework agreement for Rooftop Projects to be eligible for the Golden Sun Program:*

Based on the cooperative framework agreement dated 18 June 2012 (as supplemented by a supplemental agreement dated 19 July 2012) between the Target Group and GCL-Poly Investment, the Target Group agreed to acquire a list of Rooftop Projects which are eligible for the Golden Sun Program as published by the Ministry of Finance in 1st half of 2012 (the "List"), which amounted to approximately 64MW. Under this cooperative framework agreement, the Target Group will be responsible for the remaining construction cost net of the subsidy from the Golden Sun Program and a pre-development fee of RMB1.0/W payable to GCL-Poly Investment. Please also refer to agreement no. 1 under Table A in the Letter from the Board.

On 6 February 2013, the Target Group and a related company of GCL-Poly Investment have signed EPC contracts regarding two power plants with a total 12MW located at Jiangsu which are included in the List. Pursuant to the EPC agreements, a related company of GCL-Poly Investment acts as the EPC contractor with a cost of approximately RMB9.5/W. Together with the pre-development fee of RMB1.0/W under the cooperative framework agreement, the total investment cost for Rooftop Projects to be acquired from GCL-Poly Investment is estimated at RMB10.5/W i.e. Assumed Unit Construction Cost (Rooftop).

(2) *Framework Agreement for Solar Power Plants (including Rooftop and Ground Projects):*

On 14 November 2012 (supersedes and replaces the former agreement dated 2 August 2012), a framework agreement was entered into by the Target Group, GCL-Poly Investment and Renewable Energy Trade Board Corporation ("EBOD" or formerly known as "CTDC"). Pursuant to this framework agreement, GCL-Poly Investment will act as the EPC contractor to develop high-quality solar PV power projects, including ground-based solar plants, distributed PV stations and on-grid rooftop projects and rooftop projects eligible for the Golden Sun Program in the next five years. EBOD will be entrusted to facilitate matters in relation to the acquisitions of projects and is entitled to 0.3% service charge of the transaction amount payable by the Target Company. The preliminary plan is to develop the solar PV power projects, in regions such as, but not limited to, the Northwest, Eastern and Northern regions and covers both ground-based and rooftop solar power plants. Please also refer to agreement no. 7 under Table A in the Letter from the Board.

Provided that the solar power plant projects satisfy the pre-determined financial requirements, the Target Company shall have the right of first priority to have its acquisition offer considered by GCL-Poly Investment based on the same terms and conditions which any persons may offer to GCL-Poly Investment.

The acquisition or investment cost included as a part of the Proposed Projects in the Valuation will be determined by definitive agreements to be entered and is currently estimated by the Target Group as follow:

1. for completed and operating power plants of approximately 3MW, acquisition cost would be based on net assets value plus a certain premium;

2. for solar power plant projects under construction and projects to be built of a total of 1,060MW, in which 310MW has been granted with on-grid approval by local government at the prevailing tariff upon completion, which is currently RMB1.0/kWh, investment will be made by the Target Group where GCL-Poly Investment will act as an EPC contractor and/or operational service provider, at prevailing market cost plus a development fee (estimated at RMB0.4–0.6/W based on current arrangement with GCL-Poly Investment regarding a project in Shanxi Datong). Based on the prevailing market tender of RMB9.0/W, the total investment cost to be borne by the Target Group would be RMB9.5/W ("Assumed Unit Construction Cost (Ground)");

3. for a rooftop project at Datong with 30MW, expected investment cost is referenced rooftop projects at RMB10.5/W i.e. Assumed Unit Construction Cost (Rooftop).

On 20 December 2012, the Target Group entered into definitive sale and purchase agreement for the acquisition of two rooftop solar plant projects with generation capacity upto 12MW from the sellers affiliated to GCL-Poly Investment.

(B) ***Acquisition of projects from Zhongli Talesun***

On 19 June 2012 (as supplemented by a supplemental agreement dated the same date and the second supplemental agreement dated 29 August 2012), the Target Group entered into a cooperation framework agreement with Zhongli Talesun. Pursuant to the agreements, the Target Group will acquire the equity interest of the project companies established by Zhongli Talesun provided that the completed solar power plants satisfy the technical standards and financial requirements of the Target Company. The targeted power plant projects cover both ground-based and rooftop solar power plants. The acquisition price would in principle be based on minimum of 9% of project internal rate of return ("IRR") to the Target Group subject to the negotiation between the transaction parties by referring to the prevailing market equipment price, on-grid tariff, etc. when the relevant formal acquisition agreements of the project companies are executed. Pursuant to this framework agreement, the Target Group and Zhongli Talesun agreed to, among other things, will jointly complete the development of 2GW solar power plants within 5 years. The Target Group shall acquire the equity interest in the project companies after the solar power plants are connected on the State Grid. The Target Group is expected to acquire power plants with a total capacity of 444MW from Zhongli Talesun by 2015 and is included as a part of the Proposed Projects in the Valuation. Please also refer to agreement no. 2 under Table A in the Letter from the Board.

On 22 December 2012, the Target Group entered into a sale and purchase agreements (as supplemented by a supplemental agreement dated 22 December 2012) with the sellers affiliated to Zhongli Talesun regarding two Ground Projects, namely Zhongli Jiayuguan and Zhongli Gonghe with generation capacity up to 100MW and 20MW, respectively. The acquisition costs for Zhongli Jiayuguan and Zhongli Gonghe were RMB12.5/W and RMB10.7/W, respectively.

(C) ***Acquisition of projects from Zhengtai***

On 31 August 2012, the Target Group entered into a cooperative framework agreement with 浙江正泰新能源開發有限公司 ("Zhengtai") and EBOD. Pursuant to this agreement, Zhengtai will construct at least 500MW capacity of solar power plants (including both ground and rooftop) within 3 years in the area of Northwest, Eastern and Northern regions, etc. (including Gansu and Qinghai) in the PRC. Upon

completion of construction and meeting satisfactory technical standards and financial requirements, the Target Group will acquire 70% interest in the project companies at a purchase price in principle which would generate at least 9% IRR over a 25-year operation period. The Target Group is expected to acquire power plants with a total capacity of 252MW from Zhengtai by 2015 and is included as a part of the Proposed Projects in the Valuation. Based on the expected IRR, the acquisition cost would be RMB10.9/W. Please also refer to agreement no. 6 under Table A in the Letter from the Board.

(D) ***Acquisition of projects from Zhengxin***

On 30 August 2012, the Target Group entered an agreement with 金壇正信光伏電子有限公司 ("Zhengxin"). Pursuant to this agreement, Zhengxin will construct at least 450MW capacity of solar power plants (including both ground and rooftop) by 2015 in the area of Northwest, Eastern and northern regions of the PRC (including Xinjiang), Japan, etc.. Upon completion of construction, and provided that the completed solar power plants satisfy the technical standards and pre-determined financial requirements, the Target Group will acquire 70% equity interest in the project company at a purchase price which would generate at least 9% IRR over a 25-year operation period. The Target Group is expected to acquire power plants with a total capacity of 14MW from Zhengxin by 2015 and is included as a part of the Proposed Projects in the Valuation. Based on the expected IRR, the acquisition cost would be RMB10.9/W. Please also refer to agreement no. 5 under Table A in the Letter from the Board.

(E) ***Acquisition of projects from Furui***

On 25 August 2012, the Target Group entered an agreement with 江陰復睿光伏科技有限公司 ("Furui"). Pursuant to the agreement, both parties will cooperate to develop, construct and acquire rooftop power plants with at least 300MW capacity by 2015. For projects that will be constructed by Furui, the Target Group has a priority to acquire the project companies for the solar power plants which satisfy the technical standards and financial requirements. The acquisition price in principle would be determined based on project IRR of 10% over 25-year operation period. The Target Group is expected to acquire power plants with a total capacity of 155MW from Furui by 2015 and is included as a part of the Proposed Projects in the Valuation. Based on the expected IRR, the acquisition cost would be RMB10.1/W. Please also refer to agreement no. 3 under Table A in the Letter from the Board.

FINANCIAL REVIEW OF CMNE

Based on the audited financial statements of the Target Group, as of 31 December 2012, total assets less total liabilities amounted to RMB217 million, among them, trade, other receivables and prepayments and trade and other payables amounted to RMB51 million and RMB722 million, respectively. Fixed assets including land, building, plant and equipment and construction in progress amounted to approximately RMB1,514 million and is mainly the facilities of the module manufacture plant and the 2MW completed self-developed project in Shenzhen and construction in progress for Zhongli Jiayuguan and Zhongli Gonghe. The above financial position have included the newly acquired projects from Zhongli Jiayuguan and Zhongli Gonghe.

Since the Target Company has limited operating history on solar power plant operation and module manufacturing business is not material, historical financial performance of CMNE has not been referenced in this report.

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 "China: Country outlook" issued in 1 September 2012.

ECONOMIC GROWTH: Tight credit policies succeeded in reining in economic growth to 9.2% in 2011. In the second quarter of 2012 growth slowed to 7.6% year on year, the slowest pace of expansion since the first quarter of 2009, and more recent indicators suggest that economy activity has still not picked up. As a result, the Economist Intelligence Unit has revised down its forecast of real GDP growth in 2012 to 7.8%, from 8.1% previously. We still expect growth to accelerate towards the end of the year as monetary and fiscal stimulus measures begin to have an impact on the real economy. Moderating investment growth will constrain economic expansion in 2012, as will weak demand for Chinese exports. Private consumption will record relatively healthy growth, supported by strong increases in incomes.

INFLATION: Inflation will fall to 3.1% on average in 2012, from 5.5% in 2011, as economic growth slows and global commodity prices moderate. However, in 2013–16 strong liquidity growth, booming demand and rising input costs will generate upward inflationary pressure. Soaring wages will have a particularly strong impact on prices for labor-intensive agricultural products. We expect consumer price inflation to average 4.3% a year in the remainder of the forecast period, but there are upside risks to our forecast. Food and transport costs in China are exposed to volatility in global oil prices. Meanwhile, local agricultural costs are dependent on the vagaries of the weather, and pork prices look set to experience another cyclical upswing in 2013.

Going forward, a long-term inflation rate of 3% is expected globally.

EXCHANGE RATES: China's current-account and trade surpluses are both forecast to fall to modest levels as a proportion of GDP in the forecast period, and the country will therefore be in a strong position to resist external pressure to allow a faster rate of currency appreciation. The Renminbi is now probably close to a market-determined level, and as a result greater volatility in its value, including bouts of depreciation, is likely in 2012–16. The widening in April 2012 of the Renminbi's daily trading band against the US dollar will contribute to this trend, as it will permit market forces to play a greater role in determining the currency's value.

INDUSTRY OVERVIEW

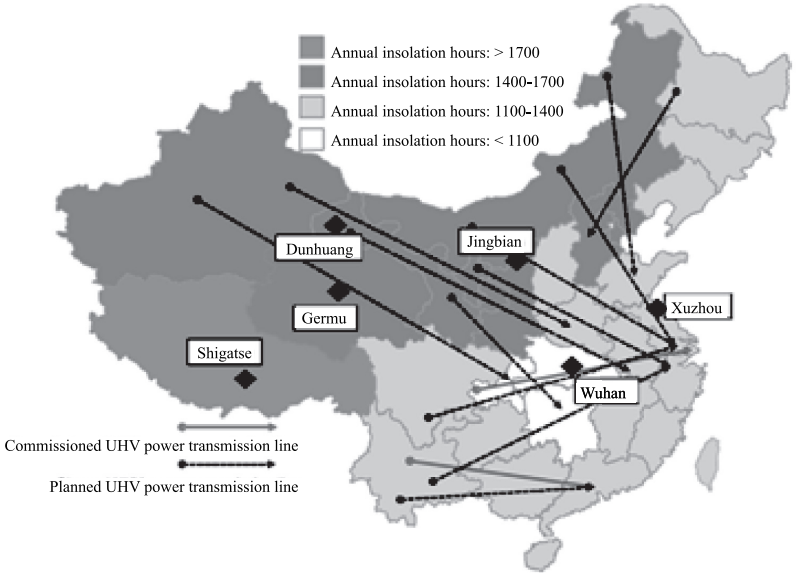
The industry discussions below were extracted from "Global Market Outlook for Photovoltaics until 2016" issued by European Photovoltaic Industry Association ("EPIA") in May 2012, "PV Demand Database — Country Specific Forecast Assumptions, Market Drivers and Analysis" by IMS Research in August 2012, "China National Photovoltaics Status Report" by International Energy Agency in August 2012 and "China: Clean Energy — Solar" by Goldman Sachs in August 2012.

PV module price has been dropped significant over the last 6 years from RMB36/W in 2007 to RMB9/W in 2011. The lowest retail price once dropped down to RMB5/W in 2011. In 2011, system prices for installed PV systems in China again dropped by 30% as compared to the previous years. In 2011 average system price for typical on-grid systems is RMB17.5/W. The PV system price in China is continuing dropping since 2007 as shown in below table:

Year	**2007**	**2008**	**2009**	**2010**	**2011**
System Price *(Yuan/Wp)*	60	50	35	25	17.5

Remark: The bidding price of construction of PV solar system was lower than RMB10/W by the end of 2012 from American Appraisal's research.

Decreasing module prices and weak demand from major global markets in Europe accelerated China's release of a domestic feed-in tariff policy in 2011. Since then, China has rapidly emerged as a major market for PV installations. Northwest China contributed significantly to China's installations in 2011. China was the top non-European PV market in 2011, with 2.2GW installed, followed by USA with 1.9GW[1]. Over 1.3GW of PV power plants were built in Qinghai, Ningxia, Gansu, and Xinjiang. The grid transmission and distribution system transferring electricity from Western China (with higher solar insolation hours) to Eastern China is currently under construction (see the below graph) which require about RMB257 billions of capital expenditure in total as estimated by the State Grid.



Source: Gao Hua Securities Research

[1] Global Market Outlook, For Photovoltaics Until 2016, published by European Photovoltaic Industry Association (EPIA) in May 2012.

The National People's Congress initially set 5GW as an official minimum PV target by 2015, with a longer-term target of 20 to 30GW by 2020, but the reality has already outpaced this target. The 2,200MW installed in 2011 (1.8GW from large-scale ground mounted installations and 400MW from rooftop projects) brought cumulative capacity to 3,093MW. Authorities now forecast a 4 to 5GW market in 2012, placing China in the global top three markets with an incredible potential for the years to come. The total installed capacity in 2016 could reach more than 35GW, with an annual market that could reach 10GW at that time horizon.

PV Installations in China (MW)	**Historical**	**Historical**	**Historical**	**Historical**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Sum**
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2008–16
Off-Grid	43	71	105	100	95	95	95	100	106	810
Residential	2	8	8	12	50	94	152	205	271	802
Small Commercial	6	19	16	18	88	172	285	431	609	1,644
Medium Commercial	1	10	16	24	500	750	1,064	1,353	1,714	5,432
Large Commercial	2	35	88	96	350	563	836	1,066	1,353	4,389
Utility-Scale	0	80	272	2,250	4,013	4,672	5,263	5,146	5,074	26,770
Total installations (MW)	54	223	505	2,500	5,096	6,346	7,695	8,301	9,127	39,847
Growth rate		313%	126%	395%	104%	25%	21%	8%	10%	

Source: IMS Research, August 2012

As quoted by Goldman Sach's analyst report, in the recent interview with the Deputy Director of the Energy Research Institute from National Development and Reform Commission, the total accumulated PV installation will increase from 3.3GW in 2011 to 15–20GW by 2015 and 50–100GW by 2020. Three separate incentive schemes coexist in China for the time being:

1. The Golden Sun Program for rural electrification and building projects, which allowed 140MW of installations in 2011. Started in 2009, the Golden Sun Program is based on system capacity rather than electricity production and will see around 1GW of large installations being commissioned in 2012, according to the Chinese Renewable Energy Industry Association (CREIA).

2. The PV building project, which focuses on Building Adapted PV systems ("BAPV") and Building Integrated PV systems ("BIPV") through subsidies based as well on the installed capacity (12 RMB/W in 2011; 9 RMB/W in 2012 for BIPV; 7.5 RMB/W for BAPV). This scheme allowed the installation of 128MW in 2011.

3. The brand-new Feed-in Tariff ("FiT") law, which was released in July 2011 and triggered market development. Some local governments that launched FiT programs before the central government are still complementing the national FiT with additional bonuses (Zhejiang, Shandong, Jiangsu in 2011; Liaoning in 2012) that should be reduced this year. Its level was decreased from 1.15 RMB/kWh to 1 RMB/kWh on 1 January 2012 in response to further market price drop of PV systems.

At provincial level, other programs have been launched (Ordos 2GW project, 280MW by the National Development and Reform Commission for desert-based projects).

The solar power plant industry in the PRC is highly capital intensive and a regulated industry with high entry barrier and high exit cost. With the support from existing shareholders including GCL-Poly, Zhongli Talesun and CMNEG, the Target Group is well positioned in terms of securing stable equipment supply. The Goldman Sach's report also indicated that SOEs will likely be the major project developers for China solar energy as SOEs have access to land (especially in higher insolation hour regions) and have better lending terms, which is likely to benefit the Target Group.

"The Plan for Development of the National Strategic Emerging Industries During the Period of the 12th Five-Year Plan" promulgated in July 2012 clearly suggested the proactive construction for the large-scale grid-connected PV power plant, the promotion of setting up an integrated PV power applications, and the establishment of a solar energy industry system which is comparable to the most sophisticated international standard. The government will take the lead in building a solar energy model city and facilitating the construction of the grid and operating system which is in line with the development of PV power generation. Meanwhile, a grid operation and management mechanism adapted to the solar PV distributed power generation will be established pursuant to the regulations and the feed-in-tariffs regime.

A brief overview on the Golden Sun Program

In July 2009, the PRC Ministry of Finance announced the Golden Sun Program (金太陽示範工程) to support the demonstration and application of the PV industry in China. Under this program, on-grid PV systems will be subsidised to cover 50% of total investment costs while off-grid PV systems installed in remote regions with no access to grid will be subsidised to cover 70% of total investment costs. The program seeks to encourage the installation of demonstration projects with an aggregate capacity of 500MW. A majority of these projects will be on-grid ground-mounted projects. Subsidised systems must be at least 300 KW in size and owned by investors with assets of at least RMB100 million.

We have reviewed the relevant government subsidy policies on Golden Sun Program and the Plan for Development of the National Strategic Emerging Industries during the period of 12th Five-Year Plan. As mentioned above, the subsidised ratio is 50% or 70% depending on whether it is on-grid or off-grid type of PV systems. In the Valuation, we have assumed the Proposed Projects are entitled to the low end of the range, if they are qualified for the Golden Sun Program.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history of the Target Company, its prospects, the Concession Rights related to the Proposed Projects, on-site inspection on the existing facilities, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable transactions, a review of transaction documents, operating statistics and other relevant documents. We made reference to or reviewed the following major documents and data:

- Audited financial statements for the three years ended 31 December 2012 of the Target Group;

- Copies of the cooperative framework agreements entered into by the project companies of the Partners with local government regarding certain ground solar power plants;

- Copies of various government approval letters regarding certain ground-based solar power plants;
- Copies of cooperation framework agreements and executed sale and purchase agreements entered into by the Target Group with Zhongli Talesun, GCL-Poly Investment, Zhengtai, Zhengxin and Furui;
- Copies of rooftop leasing agreements entered into by the Target Group with CMLH, CSOSA, CMBL and ZWAW;
- Applicable value-added tax and income tax policies;
- Plan for Development of the National Strategic Emerging Industries During the Period of the 12th Five-Year Plan, published by National Energy Administration (國家能源局);
- Implementation Notice of Golden Sun Demonstration Project launched by the PRC Government in July 2009, published by Ministry of Finance (財政部), Ministry of Science and Technology (科技部)，National Energy Administration (國家能源局);
- Target Company's internal approval procedures for ground and rooftop projects;
- Summary of project pipelines and estimated completion roadmap furnished by CMNE to us;
- Industry reports, namely National Survey Report of PV Power Applications of China 2011, Solar Photovoltaic Financing, etc.;
- Prospective financial information and the breakdown of major revenue/cost of sales/operating expenses, capital expenditures and relevant taxes relevant to the Proposed Projects prepared by the management of CMNE ("Financial Projections");
- Fixed asset register and title documents of the existing facilities;
- Draft memorandum regarding the major approval procedure for solar plant projects issued by King & Wood Mallesons dated 28 September 2012; and
- Other relevant documents.

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

- the very early stage of development of CMNE and the Proposed Projects;
- the expected revenue, acquisition costs, construction costs, operating expenses, current financial condition and prospective financial projections of the Proposed Projects;
- 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 specific PRC legal opinion relevant to the Proposed Projects;
- the construction and operation systematic risks of solar power plants in general and project specific risks to Proposed Projects for obtaining approval on tax concession and government subsidy from tax authorities, local government and National Energy Administration (國家能源局); and
- the experience of CMNE's management team and support from its shareholders.

Due to the changing environments in which the Target Group and the Proposed Projects are 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 and the Proposed Projects operate or intend 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;
- given the current stage of development of the Proposed Projects, government support under the 12th Five-Year Plan on Solar Power Development as set out in the Industry Overview section, the competitive edge of the Target Group, continuous support of the management and the existing shareholders of the Target Company, including GCL-Poly, Zhongli Talesun and CMNEG, it is reasonably assumed that business plans of the Target Company in relation to the Concession Rights related to the Proposed Projects will be proceeded and completed as contemplated and revenue growth of the Proposed Projects driven by electricity generating capacity will be in line with the relevant projects roll-out schedules;

- both rooftop and ground solar power plants of the Target Group will obtain the respective local grid company's consents to connect to the power grids and the relevant grid companies will purchase and transmit all electricity generated by the solar power plants operated by the Target Group;

- the legally binding framework agreements signed by the Target Group in relation to the solar power plant projects will be realised into official or definitive acquisition agreements. As a result, the risk and reward associated with such solar power plant projects will eventually be transferred to the Target Group;

- all rooftop projects (except certain 2013 projects which has obtained special tariff approved by local government) could successfully obtain the subsidy from the Golden Sun Program;

- electricity price in the PRC has been repeatedly adjusted upward since 2008. Thus, it is assumed that the Target Group is able to adjust electricity tariff for certain rooftop solar power plant projects, whose end customers are individuals, and it was assumed to grow at a rate similar to the long-term inflation rate. For ground-based solar power plant projects, since end-customer is State Grid, electricity tariff are subsidised and the Target Group has no discretion to adjust tariff and hence, tariff for Ground Projects is assumed to will remain stable;

- 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 timing and amount of capital expenditure and on-grid tariff subsidies;

- there will be no major changes in the current taxation law in the PRC;

- the Target Group will fulfil all legal and regulatory requirements (e.g. obtaining necessary licences) for the solar power plant business, including those related to the Concession Rights;

- the Proposed Projects 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 Proposed Projects;

- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and

- the Target Group will retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations.

VALUATION METHODOLOGY OVERVIEW

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

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

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

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

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business. Thus this method is not utilised in the Valuation. Although we are unable to identify pure play public listed companies with major business on solar power plants in China and, thus, we cannot devise appropriate price multiples devised from public listed companies for the Proposed Projects, 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 Proposed Projects 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 Concession Rights on the Proposed Projects. 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 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 (the "Fundamental Value"). The all-equity financing discount rate or required return on asset ("Asset Discount Rate(s)") is adopted. The Fundamental Value then adds the present value of tax shield effect and less total outstanding debt, if any, to arrive at the fair value of the Concession Rights related to the Proposed Projects.

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 2012												
Years ending												
31 December	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**	**2030**	**2035**	**2040**
(All figures in RMB million unless specified otherwise)												
Revenue of Rooftop Projects *(Note 1)*	113	398	589	591	594	598	601	604	624	648	676	0
Revenue of Ground Projects *(Note 1)*	340	696	1,458	2,404	2,809	2,786	2,764	2,742	2,634	2,530	2,431	1,142
Total Revenue *(Note 1)*	453	1,094	2,047	2,996	3,403	3,384	3,365	3,346	3,258	3,178	3,107	1,142
Operating Expenses *(Note 2)*	(175)	(425)	(755)	(1,033)	(1,077)	(1,086)	(1,096)	(1,105)	(1,158)	(1,218)	(1,289)	(427)
Earnings Before Interest & Tax (EBIT)	279	669	1,292	1,962	2,326	2,297	2,269	2,241	2,100	1,960	1,818	715
Other Income/(Expenses)	(66)	(159)	(298)	(436)	(498)	(506)	(510)	(523)	(522)	(509)	(497)	(183)
EBIT After Other Income/ (Expenses)	213	510	994	1,526	1,827	1,792	1,759	1,717	1,579	1,451	1,321	532
Income Tax Expense	(8)	(13)	(13)	(69)	(122)	(230)	(279)	(324)	(395)	(363)	(330)	(133)
Net Income	205	497	981	1,457	1,706	1,562	1,481	1,394	1,184	1,088	990	399
Adjustments												
Depreciation & Amortisation (Non-Cash Expense)	141	335	583	776	776	776	776	776	776	776	776	194
Capital Expenditures without Government Subsidy	(4,856)	(5,797)	(6,888)	(5,390)	0	0	0	0	0	0	0	0
Government Subsidy	638	688	0	0	0	0	0	0	0	0	0	0
Decrease/(Increase) In Working Capital	610	(99)	178	(150)	(539)	0	0	0	0	0	0	0
Other Cash Flow Items	66	159	297	435	465	361	291	124	0	0	0	0
Free Cash Flow to Business Enterprise	(3,196)	(4,217)	(4,849)	(2,872)	2,407	2,699	2,548	2,294	1,960	1,864	1,767	593
Cumulative cash inflow/ (outflow) for the year	(3,196)	(7,414)	(12,263)	(15,134)	(12,727)	(10,028)	(7,480)	(5,186)	4,805	14,319	23,349	29,950
Estimated effective capacity (MW)	272	702	1,315	1,904	2,164	2,164	2,164	2,164	2,164	2,164	2,164	849

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

Notes:

1. Average pricing (RMB per kWh) adopted, include VAT, is shown below:

Years ending 31 December	2013	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040
Rooftop Projects (Golden Sun)	0.72	0.74	0.76	0.79	0.81	0.83	0.86	0.88	1.03	1.19	1.38	1.60
Rooftop Projects (Feed-in-tariff)	2.55	1.54	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.38	1.34
Ground Projects (Feed-in-tariff)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
All Projects	1.02	1.01	1.01	1.01	1.01	1.01	1.01	1.02	1.03	1.05	1.06	1.00

2. Among the operating expenses, the amount of repairs and maintenance cost is shown below (In RMB million):

Years ending 31 December	2013	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040
Repairs and maintenance cost	11	30	57	86	100	103	106	110	127	147	171	78

Free cashflow to business enterprise from 2017 (the first full year operation with capacity of 2.16GW) to 2037 would decrease at a compounded rate of 1.6% p.a. due to an annual degradation of power generating capacity, offsetting by reduction of capital expenditure upon completion of the construction and increase in rooftop tariff by 3% p.a.

Revenue

Revenue is derived by multiplication of electricity tariff and power generated by PV power plants under the Proposed Projects over a period of 25 years. The total theoretical electricity generating output by the Proposed Projects amounted to approximately 2.16GW. These projects are divided into two types: rooftop PV power plant with PV panels installed on rooftops of buildings (Rooftop Projects) and 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. Among the Proposed Projects, 2015 Projects were assumed to commence construction by year 2015 and hence, the Financial Projection is prepared until the end of the expected useful life of the equipment, i.e. year 2040. We have reviewed a few PV equipment vendor warranty agreements with a guarantee to maintain at least 80% power output over 25 years, which implies an average of 0.8% degradation per year. The degradation factor is applied to the theoretical output to arrive at the operational output.

Power generation output

Power generated, or operational output, of a PV system is measured by the solar capacity (Wp) while electricity tariff is measured in Watt-hour (Wh). The corresponding conversion factor from Wp into Wh is dependent on the insolation which is closely related to the location of PV power plants. Based on a research report about sunlight distribution[2], an average conversion factor of 1,370MWh/MWp was applied for projects which are located mostly in Guangdong, Suzhou and Zhejiang provinces,

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

southeast regions with relatively modest solar irradiation and most of these projects are Rooftop Projects; an average conversion factor of 1,600MWh/MWp was applied for projects which are located mostly in Gansu, Qinghai, Shanxi and Xinjiang provinces, northwest regions with higher solar irradiation and most of these projects are Ground Projects. For Zhongli Talesun projects, a conversion factor of 1,800MWh/MWp was applied as guaranteed by Zhongli Talesun.

Based on management's experience, construction periods for Rooftop Projects and Ground Projects are assumed to be one year and two years, respectively. Hence, revenue is assumed to increase according to this ramp up period by considering the gradual increase in power generation output capacity from zero at the commencement of the projects to 100% over the ramp up period.

Electricity tariff

For Rooftop Projects where the electricity tariff agreements are entered into with end users such as owners of buildings for Rooftop Projects, the applicable electricity tariff is assumed at a price comparable to the tariff from electricity generated by thermal power and is assumed to grow at 3% per annum, in accordance with long-term inflation rate. For on-grid Rooftop Projects and Ground Projects, on-grid tariff stipulated by the National Development and Reform Commission (NDRC) is adopted unless other tariff policy is applicable, most of them are currently at RMB1.0/kWh. Some projects were granted with on-grid price according to local government. 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. From the experience of Management, operating expenses before depreciation is RMB120,000 per MW on average. We have reviewed the operating statistics of a solar power plant operated and owned by GCL-Poly, provided by the Management of the Target Group. The estimation of operating expenses of RMB120,000 per MW adopted in the Valuation is in line with our observation of the operating statistics of the GCL-Poly's solar power plant. The projection of operation expenses was mainly constructed with reference to the capacity of the projects, with an expected annual growth rate of 3% based on long-term inflation rate.

Interest Expenses

The Proposed Projects net of up-front government subsidy on capital expenditure would be financed by project financing as to 70% of the amount of capital expenditure, at the beginning of the projects, and gradually repay the outstanding loan by installment and was expected to have no debt from 2030 onwards. The remaining portion of capital expenditure would be funded by internal resources. As advised by Management, interest expenses of the Project Company 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. The impact of the tax shield effect on interest expenses of the Target Company on the future cash flow is dealt with separately to the Fundamental Value and was discussed in the subsequent section.

Tax Expenses

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

In the Valuation, the Proposed Projects held by the Target Company 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 represent the value-added tax (VAT) payment.

Other cashflow items represent VAT refund. Under PRC tax rules, revenue is subject to 17% VAT and purchases through capital expenditure are eligible to deduct VAT payment. In the first few years of operation, the Target Company's initial capital expenditure will create a significant balance to set off against VAT collected from revenue. Net VAT payment would only need to be paid when the amount of VAT balance paid for capital expenditure is not enough to set off VAT from revenue.

Capital expenditure and government subsidy

Based on the framework agreements entered into by the Target Company, the underlying solar power plants projects are either owned, to be developed or acquired by the Target Company. The framework agreements have set out the basis of determination of future acquisition cost or construction cost. Capital expenditures are estimated in the following ways:

(1) projects may be acquired — purchase cost for project companies would be determined based on pre-determined IRR calculation at 9%–10%; and

(2) projects to be self-developed — construction cost would be based on the prevailing market construction price plus development cost, which are currently estimated at Assumed Unit Construction Cost (Ground), RMB9.5/W for Ground Projects and Assumed Unit Construction Cost (Rooftop), i.e. RMB10.5/W for Rooftop Projects.

On 6 February 2013, the Target Group and a related company of GCL-Poly Investment have signed EPC contracts regarding two power plants with a total 12MW located at Jiangsu which are included in the List. Pursuant to the EPC agreements, a related company of GCL-Poly Investment acts as the EPC contractor with a cost of approximately RMB9.5/W. Together with the pre-development fee of RMB1.0/W under the cooperative framework agreement, the total investment cost for Rooftop Projects to be acquired from GCL-Poly Investment is estimated at RMB10.5/W.

It was assumed that all rooftop projects (except certain 2013 projects which has obtained special tariff approved by local government) could successfully apply the subsidy from the Golden Sun Program and such subsidy are used to set off against capital expenditure to be spent on construction of power plants. Under the Golden Sun Program, an upfront subsidy of 50%–70% of the total investment cost, which is at RMB5.5/W for the projects qualified in year 2012, would be granted upon successful application and such grant would be by two installments, i.e. 70% upon construction and 30% upon completion. The government subsidy goes hand in hand with the investment cost. If there is a decrease in the construction cost, the government subsidy would decrease accordingly. In the Valuation, for Rooftop Projects where the construction cost was assumed at RMB10.5/W, the prevailing government subsidy of RMB5.5/W was adopted in the Valuation. Based on Management's experience, a normal construction period of a rooftop project takes less than one year, hence, the ramp up period for all Rooftop Projects is assumed to be one year. All cashflows related to construction costs are expected to be incurred in one year.

Ground Projects may be able to obtain government subsidy, which would be in form of an on-grid electricity tariff, and is currently at RMB1.0/kWh. Ground Projects are assumed to be completed in two years and relevant cash outflow for capital expenditures are also assumed to be incurred evenly over the ramp up period.

It was suggested by the Management to assume no future capital expenditure would be required for the Target Company as all routine maintenance and major overhaul will be expensed when incur. Thus, the depreciation expense would be solely originated from the capitalised fixed assets with useful lives of 25 years.

Working capital

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

On accounts receivable side, since the customers of Ground Projects are various local State Grid, no material accounts receivable is estimated. For Rooftop Projects, end customers normally pay guarantee deposits which offset accounts receivable.

On accounts payable side, based on settlement terms of certain construction contracts and EPC contracts, it is assumed that all the Proposed Projects are entitled to a retainer fee, which shall be retained for one year from the in-service date of the project as a warranty amount. Such retainer fee amounts to 10% of the aggregate of equipment and construction costs as well as installation fee. As such, account payables was assumed at 10% of capital expenditures according to the initial roll-out period of the Proposed Projects and thereafter working capital is estimated at 0% of gross revenue, similar to the level achieved by comparable companies. For the two projects acquired from Talesun in December 2012, accounts payable represented installment payments, as quoted on the acquisition agreements, to be settled one year after acquisition.

Discount rate

The rate at which the annual net cash flows of the Proposed Projects discounted to present value is based on the unlevered cost of equity or Asset Discount Rate according to the APV method as described above. Such Asset Discount Rates adopted for the Valuation ranged from 8.5%–10.0%.

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 15 comparable companies below, 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. changing its main business into PV industry or power generation industry; or

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

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

Comparable companies are regarded generally to be subjected to the same systematic risks as the Target Company. To account for the non-diversifiable risk borne by investment in a single emerging industry in the country, including the early stage of development of the Proposed Projects, reliance on government policy and subsidy, and ramp up period to achieve production volume adopted in the financial projection, project specific risk premia of 0.5%–2.0% were assigned depending on the project status.

Comparable Companies	Bloomberg Code	Market capitalisation as of 31 December 2012 (In HKD million)	Principal business activities	Involvement in solar power plant activities
1. China Solar Energy Holdings Ltd	155 HK	425	Manufacturing thin film photovoltaic cells, panels, and modules	(1) 2MW customer-side a-Si solar grid-connected power generation (photovoltaic building BIPV) project under the Golden Sun Program in Yunnan Province; (2) 6MW a-Si solar grid-connected power generation project, namely Dagongshan

Comparable Companies	Bloomberg Code	Market capitalisation as of 31 December 2012 (In HKD million)	Principal business activities	Involvement in solar power plant activities
2. China Gogreen Assets Investment Ltd	397 HK	404	Manufacturing amorphous silicon thin film solar cells and modules	(1) 20MW rooftop power station project in Zhengzhou, Henan Province with Golden Sun subsidy; (2) 10MW large-scale grid-connected on-ground solar PV power station project in Qinghai Province; (3) 20MW rooftop power station project in Xuchang, Henan Province, with Golden Sun subsidy
3. Apollo Solar Energy Technology Holdings Ltd	566 HK	4,701	Offering equipment and end-to-end manufacturing lines for the mass production of thin film silicon solar modules	30 solar energy plants of total power generation capacity reaching 1.5GW will be constructed by 2014 end
4. Goldpoly New Energy Holdings Ltd	686 HK	1,120	Manufacturing photovoltaic cells	10.8MW user on-grid PV power generation demonstration project eligible for the Golden Sun Program
5. China Singyes Solar Technologies Holdings Ltd	750 HK	4,178	Manufacturing glass and stone curtain walls and solar energy products	20MW roof top solar farm under the 2010 Golden Sun program
6. Solargiga Energy Holdings Ltd	757 HK	1,271	Manufacturing monocrystalline ingots and wafers	(1) 13.5MW Golden Sun Program project in Liaoning Province; (2) 20MW large-scaled photovoltaic power plant project in Qinghai Province
7. GCL-Poly Energy Holdings Ltd	3800 HK	24,143	Producing solar grade polysilicon and operating cogeneration plants	(1) Two solar farms; (2) Will develop a 1GW solar farm CGN Solar Energy Development Co., Ltd. in Datong City, Shanxi Province

Comparable Companies	Bloomberg Code	Market capitalisation as of 31 December 2012 (In HKD million)	Principal business activities	Involvement in solar power plant activities
8. China Suntien Green Energy Corp Ltd	956 HK	5,473	Operating wind farm and natural gas business	(1) 1MW solar power project in Baoding Laiyuan Jinjiajing of Hebei Province; (2) 10MW solar power project in Laiyuan; (3) 11MW solar power project in Kangbao County, Hebei Province
9. China Datang Corp Renewable Power Co Ltd	1798 HK	7,214	Generating electricity from renewable resources, operating wind farms and hydroelectric power plants	(1) Ground photovoltaic projects in Ningxia, Qinghai, etc, and the rooftop photovoltaic projects in Lianyungang and Huaian, etc. with aggregate installed capacity of 82MW; (2) 50-MW solar power project in Inner Mongolia; (3) pipeline solar power generation projects with a prospective capacity of 8,793MW
10. China Longyuan Power Group Corp	916 HK	43,382	Design, development, management and operation of wind farms	(1) Installed capacity of 70MW from solar PV generation; (2) Solar energy pipeline projects amounted to 2,000MW, in Tibet, Qinghai, Gansu, Xinjiang and Inner Mongolia
11. China Resources Power Holdings Co Ltd	836 HK	94,141	Investment, development and operating coal-fired power plants	Not applicable
12. Huaneng Power International Inc	902 HK	118,741	Development, construction and operating coal-fired power plants	Not applicable
13. Datang International Power Generation Co Ltd	991 HK	59,411	Development and operation of power plants	Not applicable
14. Huadian Power International Co	1071 HK	33,002	Generation and sale of electricity	Not applicable

Comparable Companies	Bloomberg Code	Market capitalisation as of 31 December 2012 (In HKD million)	Principal business activities	Involvement in solar power plant activities
15. China Power International Development Ltd	2380 HK	13,654	Development, construction and operating power plants	Not applicable

Source: Bloomberg, annual reports, interim reports and public announcements

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

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

Where

K_e	=	Required return on equity		
R_f	=	Risk-free rate of return	= 3.92%	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	= 0.48	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	= 8.42%	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 6.5% 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	= 0.5%, 1.0%, 2.0%	Projects are classified by expected construction commencement date into 2012–13 Projects, 2014 Projects and 2015 Projects. Each type of projects was assigned with a different PSP, the non-diversifiable risks borne by investment in single emerging industry. In this case, PSP mainly considers the construction risks and others due to the stage of development of a specific project.

As such, our analysis concludes that Asset Discount Rates of 8.5%–10.0% are considered appropriate for valuing the Concession Rights related to the Proposed Projects, depending on the project status:

- 0.5% PSP was assigned to 2012–13 Projects and hence, Asset Discount Rate was 8.5%. Among Rooftop Projects of 143MW under 2012–13 Projects, projects with 103MW had obtained government approval either under the Golden Sun Program or is eligible for feed-in-tariff. All 430MW of Ground Projects had obtained Travel Pass. With a majority of the projects have obtained relevant government approvals or subsidy, it marked significant milestone achieved by the Proposed Projects, and therefore, a relatively lower level of PSP was assigned to reflect counterparty risks;

- 1.0% PSP was assigned to 2014 Projects and hence, Asset Discount Rate was 9.0%. These are either Rooftop Projects or Ground Projects granted with local government approval for on-grid connections. Among Rooftop Projects of 275MW under 2014 Projects, 150MW is eligible for feed-in-tariff. For 276MW Ground Projects, 266MW had obtained Travel Pass. Relative to 2012–13 Projects, a medium level of PSP was assigned to reflect construction risks and counterparty risks;

- 2.0% PSP was assigned to 2015 Projects and hence, Asset Discount Rate was 10.0% adopted for 2015 Projects. The stage of development of these projects is very preliminary and only letters of intent with local government were entered into. Therefore a relatively higher PSP was assigned to reflect completion risks, construction risks and counterparty risks.

The above PSP are considered adequate in carrying out the valuation of the Concession Rights as a Greenfield status. Additional risk premium related to the Target Group is not addressed in the Valuation Report.

The Valuation result using various Asset Discount Rates on different projects would be the same as using a single blended discount rate of approximately 9.3% on all projects. This blended discount rate could be analogue to WACC, which assumes a constant debt to equity ratio. For illustration purpose, suppose a constant debt to equity ratio of 35% (an average between 0% and 70% target financing on capital expenditure) is applied to the derivation of WACC for the Proposed Projects, by setting the WACC equal to the blended discount rate of 9.3%, the backward deduced PSP reaches 4%, which is higher than the currently adopted PSP range from 0.5% to 2.0%.

We have cross-checked the adopted Asset Discount Rates for the Valuation with market research and actual transactions. We concluded the Asset Discount rates selected are 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. Owing 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[3]. In United States, such return would be 8%[4].

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

(2) Actual transactions

The cooperation agreements and executed sale and purchase agreements entered into by the Target Group with Zhongli Talesun, Zhengtai, Zhengxin and Furui stipulated that the minimum rate of return required by CMNE would be 9%–10%. Based on discussion with CMNE'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 outstanding loan balances of the Target Company during the projection period. The discount rate used for calculation of the present value of the tax shield was the pre-tax cost of debt of 6.55% p.a., which was based on the Benchmark Interest Rate in the PRC and is the prevailing cost of borrowing of the Proposed Projects. It was assumed capital expenditures are financed as to 70% by debt and 30% by equity where the loan tenor was assumed to be 13 years based on experience of Management.

In October 2012, the Target Group has obtained a term sheet by a bank in Hong Kong for a loan to finance one of its projects with 20MW capacity, with a tenor and an interest rate similar to those adopted in the Valuation. Besides, in February 2013, the Target Group has obtained a term sheet by a bank in Shenzhen, PRC for a loan to finance up to RMB846 million.

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.

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

[4] "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.

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. Generally speaking, the farther the Valuation Date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. By using the option-pricing method, the DLOM of 10% was applied in this Valuation.

Value indicated by the income approach

The above key inputs and assumptions result in the value indication for the Concession Rights related to the Proposed Projects of HKD2.66 billion.

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 and on a best effort and unbiased selection basis, we identified 14 merger and acquisition transactions in the worldwide solar power plant industry over the period from 1 October 2011 (i.e. one year before our engagement by the Client) to 31 December 2012. 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") was calculated for each of the comparable transactions. The Equity Value to Capacity Ratio was selected because no historical financial result of the transaction projects was available. We presented in the table below two batches of results, one being all transactions and another set being transactions in Asia. Since the Proposed Projects are located in the PRC, we observed those transactions in Asia where the median and average Equity Value to Capacity Ratio were RMB10.5/W and RMB10.6/W, respectively.

Under the APV method, the per watt value of the Concession Rights was equal to HK$2,660 million divided by 2,164MW, or HK$1.2/W. Since most of the targets of comparable transactions are completed or almost completed, for better comparison of Equity Value to Capacity Ratio, an average net capital expenditure of the Proposed Projects was added to the per watt value of the Concession Rights. The net capital expenditure of HK$12.4/W was calculated as total net capital expenditure of HK$26,874 million (or equivalent to RMB21,605 million) divided by 2,164MW. Then, the derived Equity Value to Capacity Ratio for the Proposed Projects (as if completed) is HK$13.6/W. This is fairly supported by the median and 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	Status	Location
			HKD/Wp		
1	Anhui Xinhui Renewable Energy Investment Company Limited	14/7/2011	16.0	Under construction	China
2	Jun Yang Holdings	16/5/2012	5.5 *(Note 1)*	Mostly completed	China
3	S-Energy Co., Ltd. (Sacramento Solar Energy Plant)	30/08/2012	35.5	Under construction	California, United States
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, United States
5	Monteboli	09/07/2012	35.8	In operation	Italy
6	Magaz Fotovoltaica S.L.U	06/06/2012	44.1	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 PV farm in Predosa); OPDE Group (Solar PV farm in Tortona)	14/11/2011	44.3	In operation	Italy
11	OPDE Group (three photovoltaic plants in Italy)	22/09/2011	43.5	In operation	Italy
12	Terna SpA (78MW PV plants)	22/10/2011	35.8	Under construction	Italy
13	Skypower Limited	21/6/2012	7.2	Not yet started construction	Canada
14	Eco-Kinetics Netherlands Holding BV (5 solar PV plants)	4/12/2012	24.8	In operation	Italy

	All 14 samples	Asia 4 samples
	HKD/Wp	*HKD/Wp*
High	44.3	16.0
Low	5.5	5.5
Average	24.9	10.6
Median	23.6	10.5

Note 1: Jun Yang is a thin-film based technology and hence, the transaction price may not be comparable to polysilicon based technology.

Implied value from Income Approach *(HKD'M)*	2,660	(a)
Capacity *(MWp)*	2,164	(b)
Implied value *(HKD/Wp)*	1.2	(c) = (a)/(b)
Average net capex *(HKD/Wp)*	12.4	(d)
Implied ratio *(HKD/Wp)*	13.6	(e) = (c)+(d)

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 Concession Rights to changes of the following parameters (each of the parameters is tested independently):

- Blended Discount Rate of 7%–11% was tested for sensitivity as it represents a range indicated by market research presented in the section headed "Discount Rate". Results are presented in Table A;

- Annual growth rate of tariff for Rooftop and Ground Projects of 0%–5% was tested for sensitivity. Results are presented in Table B;

- EPC construction cost of Rooftop Projects range from RMB9.0/W–RMB11.5/W was tested for sensitivity. The high end of the range selected is the observed cost in September 2012, which is approximately 10% higher than the Assumed Unit Construction Cost (Rooftop) of RMB10.5/W, while the low end is 15% lower than the Assumed Unit Construction Cost (Rooftop) of RMB10.5/w given recent decrease in solar system cost. Results are presented in Table C;

- EPC construction cost of Ground Projects range from RMB8.5/W–RMB12.0/W was tested for sensitivity. The high end of the range selected is higher than the observed cost for ground projects since September 2012, which is approximately 25% higher than the Assumed Unit Construction Cost (Ground) of RMB9.5/W. Results are presented in Table C;

- Government subsidy for Rooftop Projects applying Golden Sun Program range from RMB4.5/W–RMB6.5/W and EPC construction cost of Rooftop Projects range from RMB9.0/W–RMB11.5/W were tested for sensitivity. Results are presented in Table D;

- Delay in commencement of all projects by 0–4 years was tested for sensitivity. Results are presented in Table E; and

- Decrease in capacity as a percentage of originally planned capacity from 0–100% was selected for all 2015 Projects as only letter of intents were obtained as of the Valuation Date. Results are presented in Table E.

A sensitivity analysis on the fair value of the Concession Rights was presented in the tables below (with sensitivity results are stated in HKD million).

Table A

Blended discount rate	
7.0%	6,480
7.5%	5,510
8.0%	4,610
8.5%	3,780
9.0%	3,030
9.5%	2,320
10.0%	1,670
10.5%	1,070
11.0%	510

Table B

	Annual growth rate of tariff for Rooftop Projects					
	5%	**4%**	**3%**	**2%**	**1%**	**0%**
Annual growth rate of tariff for Ground Projects						
5%	12,550	12,310	12,100	11,910	11,760	11,610
4%	10,130	9,880	9,670	9,480	9,330	9,180
3%	8,030	7,790	7,570	7,380	7,230	7,090
2%	6,180	5,940	5,730	5,540	5,390	5,240
1%	4,550	4,310	4,090	3,910	3,750	3,610
0%	3,120	2,880	2,660	2,480	2,320	2,180

Table C

	EPC construction cost for Rooftop Projects (RMB per Wp)					
	11.5	**11.0**	**10.5**	**10.0**	**9.5**	**9.0**
EPC construction cost for Ground Projects (RMB per Wp)						
12.0	500	600	700	790	890	990
11.5	900	990	1,090	1,190	1,290	1,380
11.0	1,290	1,390	1,490	1,590	1,680	1,780
10.5	1,680	1,780	1,880	1,980	2,070	2,170
10.0	2,080	2,170	2,270	2,370	2,470	2,560
9.5	2,470	2,570	2,660	2,760	2,860	2,960
9.0	2,860	2,960	3,060	3,150	3,250	3,350
8.5	3,250	3,350	3,450	3,550	3,640	3,740

Table D

	EPC construction cost for Rooftop Projects in application for Golden Sun Program (RMB per Wp)					
	11.5	**11.0**	**10.5**	**10.0**	**9.5**	**9.0**
Government subsidy for Rooftop Projects in application for Golden Sun Program (RMB per Wp)						
6.5	2,670	2,720	2,780	2,840	2,900	2,960
6.0	2,610	2,660	2,720	2,780	2,840	2,900
5.5	2,550	2,600	2,660	2,720	2,780	2,840
5.0	2,490	2,540	2,600	2,660	2,720	2,780
4.5	2,430	2,480	2,540	2,600	2,660	2,720

Table E

	Delay of all projects compared with business plan (In years)				
	0.0	**1.0**	**2.0**	**3.0**	**4.0**
% decrease in capacity for 2015 Projects					
0%	2,660	2,460	2,270	2,100	1,940
20%	2,570	2,380	2,190	2,030	1,880
40%	2,490	2,300	2,120	1,960	1,810
60%	2,400	2,210	2,040	1,880	1,740
80%	2,310	2,130	1,960	1,810	1,680
100%	2,220	2,050	1,890	1,740	1,610

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of the Concession Rights related to the Proposed Projects as of 31 December 2012 is reasonably represented by the amount of HONG KONG DOLLAR TWO BILLION SIX HUNDRED AND SIXTY MILLION ONLY (HKD2,660,000,000).

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

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

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

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

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

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

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

A. REPORT FROM THE REPORTING ACCOUNTANT IN RELATION TO VALUATION REPORT ON THE CONCESSION RIGHTS

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



羅兵咸永道

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE CONCESSION RIGHTS TO DEVELOP AND OPERATE SOLAR POWER PLANT PROJECTS OWNED BY OR MAY BE ACQUIRED BY CHINA MERCHANTS NEW ENERGY HOLDINGS LIMITED (THE "CONCESSION RIGHTS")

TO THE BOARD OF DIRECTORS OF GOLDPOLY NEW ENERGY HOLDINGS LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 10 May 2013 prepared by American Appraisal China Limited in respect of the fair value of the Concession Rights is based. The Valuation is set out in Appendix V of the circular of Goldpoly New Energy Holdings Limited (the "Company") dated 10 May 2013 (the "Circular") in connection with the proposed acquisition of approximately 92.17% of the entire issued share capital of China Merchants New Energy Holdings Limited (the "Target Company") by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 341 to 357 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.

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.

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

We are not reporting on the appropriateness and validity of the bases and assumptions adopted in the valuation of the Concession Rights, including but not limited to the likelihood of securing the planned capacity of solar power projects from Zhongli Photovoltaic Science and Technology Group Co., Ltd, GCL-Poly Investment Limited, China (Shenzhen) Ocean Shipping Agency Co., Limited, China Merchants Logistics Holdings Co., Ltd., China Merchants Bonded Logistics Co., Limited and other independent third parties, the possibility of obtaining all the relevant government approvals prior to the commercial operations of the solar power projects, the required working capital, the continual government subsidies over the lives of the solar power projects, the amount of government subsidies to be obtained for each project, the capital expenditures required for the investment of future projects, the ability to obtain all the necessary financing at the assumed interest rate over the period of the forecast, the electricity price growth rate, the cost structure and the operating efficiency of the solar power projects.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages 341 to 357 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 in respect of the valuation of the Concession Rights, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on pages 341 to 357 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 May 2013

B. LETTER FROM THE FINANCIAL ADVISER IN RELATION TO VALUATION REPORT ON THE CONCESSION RIGHTS

富強金融資本
FORTUNE FINANCIAL CAPITAL

Fortune Financial Capital Limited
35th Floor
Office Tower Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

The Directors
Goldpoly New Energy Holdings Limited
Room 6301, The Center
99 Queen's Road Central
Hong Kong

10 May 2013

Dear Sirs,

We refer to the valuation report (the "**Valuation Report**") prepared by American Appraisal China Limited (the "**Independent Valuer**") in relation to the fair value analysis of the development, operation and other rights in relation to certain ground-based and rooftop solar power plant projects with a total capacity of up to approximately 2.16GW which are owned or may be acquired by China Merchants New Energy Holdings Limited (the "**Target Company**") and its subsidiaries (collectively, the "**Target Group**") in or prior to the year 2015 as contemplated under certain agreements or framework agreements entered into by the Target Group as at 31 December 2012. The Valuation Report is included in the circular of Goldpoly New Energy Holdings Limited (the "**Company**") dated 10 May 2013 (the "**Circular**").

We understand that the Valuation Report has been provided to you as the directors of the Company (the "**Directors**") in connection with the Company's proposed acquisition of 92.17% of the equity interest in the Target Company.

We have reviewed the forecasts included in the Valuation Report, for which you as the Directors are responsible. We have attended the discussions of the calculations of the forecasts involving the management of the Company and the Independent Valuer. We have also attended discussions involving the management of the Target Company, the management of the Company and the Independent Valuer where the historical performance, prospects of the Target Group and the forecasts were discussed. We have also considered the report addressed solely to and for the sole benefit of the Directors from PricewaterhouseCoopers dated 10 May 2013 as set out in Appendix VI to the Circular regarding the calculations of discounted future estimated cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the forecasts included in the Valuation Report and disclosed in the Circular, for which you as the Directors are responsible, have been made in the Circular after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited

Eric Koo
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately after the issue of the Consideration Shares and the Authorised Share Capital Increase becoming effective (assuming no exercise of the subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares prior to Completion; and (c) immediately after the issue of the Consideration Shares, the Authorised Share Capital Increase becoming effective and full exercise of the conversion rights attaching to the Convertible Bonds (assuming no adjustment to the Conversion Price, no exercise of the outstanding subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares except for the Consideration Shares prior to conversion of the Convertible Bonds) are as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000
Issued and fully paid:		
881,908,389	Shares	88,190,838.90

(b) Immediately after the issue of the Consideration Shares and the Authorised Share Capital Increase becoming effective (assuming no exercise of the subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares prior to Completion)

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
881,908,389	Shares	88,190,838.90
959,462,250	Consideration Shares	95,946,225
1,841,370,639	Shares	184,137,063.90

(c) immediately after the issue of the Consideration Shares, the Authorised Share Capital Increase becoming effective and full exercise of the conversion rights attaching to the Convertible Bonds (assuming no adjustment to the Conversion Price, no exercise of the outstanding subscription rights attaching to the outstanding Share Options and conversion rights attaching to the outstanding Jet Mile Convertible Notes and no further allotment and issue or repurchase of Shares except for the Consideration Shares prior to conversion of the Convertible Bonds)

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
881,908,389	Shares	88,190,838.90
959,462,250	Consideration Shares	95,946,225
1,160,447,750	Conversion Shares	116,044,775
3,001,818,389	Shares	300,181,838.90

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 Consideration Shares, when issued upon Completion will rank *pari passu* in all respects with the Shares then in issue. The Conversion Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding on the conversion date.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2012 and there has been no increase in the issued share capital of the Company since 31 December 2012 and up to the Latest Practicable Date.

Save as disclosed in this circular and apart from the Share Options and the Jet Mile Convertible Notes, 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. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (a) on the Latest Practicable Date; (b) on 22 November 2012, being the Last Trading Day; and (c) at the end of each of the calendar months during the period commencing six months preceding the Last Trading Day and ending on the Latest Practicable Date:-

Date	Closing price of Shares *HK$*
2012	
31 May	0.98
29 June	0.89
31 July	0.91
31 August	0.93
28 September	1.3
31 October	1.16
22 November (being the Last Trading Day)	1.27
30 November	Suspended
31 December	Suspended
2013	
31 January	1.41
28 February	1.17
28 March	1.21
30 April	1.16
Latest Practicable Date	1.26

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 22 May 2012 (being six months immediately prior to the Last Trading Day) and ending on the Latest Practicable Date were 1.59 and 0.85 per Share, respectively.

4. 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:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Ms. Lin Xia Yang	Beneficial Owner	1,000,000	0.11%

(b) Directors' rights to acquire shares in the Company and any of its associated corporations

Directors' interests in Share Options

Name of Director	Number of Share Options held	Date of Grant	Exercisable period	Exercise price per Share *(HK$)*
Ms. Lin Xia Yang	1,225,191	24 November 2009	24 November 2009 to 23 November 2019	0.6624
Mr. Yiu Ka So	500,000	6 April 2011	1 June 2011 to 31 May 2014	1.4340
	500,000	6 April 2011	1 June 2012 to 31 May 2014	1.4340
Academician Yao Jiannian	500,000	6 April 2011	1 June 2011 to 31 May 2014	1.4340
	500,000	6 April 2011	1 June 2012 to 31 May 2014	1.4340
	3,225,191			

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

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

5. SUBSTANTIAL SHAREHOLDERS

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

Long position in the Shares

Name of Shareholder	Capacity	Number and Class of Shares	Approximate Percentage of the Company's Issued Share Capital
Mr. Hung *(Note 1)*	(i) Beneficial owner (ii) Interest in controlled corporation	(i) 64,376,000 ordinary Shares (ii) 1,722,922,454 ordinary Shares	202.66%
Mr. Hong *(Note 2)*	(i) Beneficial owner (ii) Interest in controlled corporation	(i) 1,800,000 ordinary Shares (ii) 1,602,862,454 ordinary Shares	181.95%
Jet Mile *(Note 3)*	Beneficial owner	1,602,862,454 ordinary Shares	181.75%
China Green *(Notes 4 and 5)*	(i) Beneficial owner (ii) Interest of persons acting in concert	(i) 222,775,621 ordinary Shares (ii) 1,200,140,000 ordinary Shares	161.35%
EBOD *(Note 6)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
CMNEG *(Notes 4 and 7)*	(i) Beneficial owner (ii) Interest of persons acting in concert	(i) 1,100,090,000 ordinary Shares (ii) 322,825,621 ordinary Shares	161.35%
Snow Hill *(Note 8)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
China Merchants Group Limited *(Note 9)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
Magicgrand *(Note 10)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
Pairing Venture *(Note 11)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
Li Alan ("**Mr. Li**") *(Note 12)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
Sino Arena *(Notes 4 and 13)*	(i) Beneficial owner (ii) Interest of persons acting in concert	(i) 100,050,000 ordinary Shares (ii) 1,322,865,621 ordinary Shares	161.35%
Zeng Xiangyi ("**Mr. Zeng**") *(Note 14)*	Interest in controlled corporation	1,422,915,621 ordinary Shares	161.35%
Ease Soar *(Notes 4 and 15)*	Beneficial owner	399,970,000 ordinary Shares	45.35%

Name of Shareholder	Capacity	Number and Class of Shares	Approximate Percentage of the Company's Issued Share Capital
GCL-Poly *(Note 16)*	Interest in controlled corporation	399,970,000 ordinary Shares	45.35%
Talesun *(Notes 4 and 17)*	Beneficial owner	199,870,000 ordinary Shares	22.66%
Zhongli Talesun *(Note 18)*	Interest in controlled corporation	199,870,000 ordinary Shares	22.66%
Zhongli *(Note 19)*	Interest in controlled corporation	199,870,000 ordinary Shares	22.66%
Wang Baixing ("**Mr. Wang**") *(Note 20)*	Interest in controlled corporation	199,870,000 ordinary Shares	22.66%
Hyatt Servicing *(Notes 4 and 21)*	Beneficial owner	120,060,000 ordinary Shares	13.61%
Peng Yuling ("**Ms. Peng**") *(Note 22)*	Interest in controlled corporation	74,472,000 ordinary Shares	8.44%
Gain Intelligence Limited ("**Gain Intelligence**") *(Note 23)*	Beneficial owner	74,472,000 ordinary Shares	8.44%

Notes:

1. The long position in the 1,722,922,454 Shares held by Mr. Hung was held by (i) Jet Mile as to 1,602,862,454 Shares and (ii) Hyatt Servicing as to 120,060,000 Shares.

2. The long position in the 1,602,862,454 Shares held by Mr. Hong was held by Jet Mile.

3. Jet Mile was owned as to 66.7% by Mr. Hung and 33.3% by Mr. Hong as at the Latest Practicable Date. Jet Mile had a long position in the Shares as a result of (i) 92,936,803 Shares held by it and (ii) the outstanding Jet Mile Convertible Notes in the principal amount of HK$812,340,000 and convertible into 1,509,925,651 Shares at the conversion price of HK$0.538.

4. Each of the Vendors had a long position in the Shares as a result of its entering into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Vendors would be issued an aggregate of 2,119,910,000 Shares assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to the Vendors.

5. China Green was an indirect wholly-owned subsidiary of EBOD as at the Latest Practicable Date. China Green had a long position in the Shares as a result of (i) 22,905,621 Shares held by it; (ii) an aggregate of 199,870,000 Shares to be issued to it pursuant to the Sale and Purchase Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it; and (iii) an aggregate of 1,200,140,000 Shares held by CMNEG and Sino Arena, being persons acting in concert with it.

6. The long position in the 1,422,915,621 Shares held by EBOD was held by China Green.

7. CMNEG was owned as to approximately 53.56% by Snow Hill, approximately 37% by Magicgrand and approximately 9.44% by Pairing Venture as at the Latest Practicable Date. CMNEG had a long position in the Shares as a result of (i) an aggregate of 1,100,090,000 Shares to be issued to it pursuant to the Sale and Purchase

Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it; and (ii) an aggregate of 322,825,621 Shares held by China Green and Sino Arena, being persons acting in concert with it.

8. Snow Hill was an indirect wholly-owned subsidiary of China Merchants Group Limited as at the Latest Practicable Date. The long position in the 1,422,915,621 Shares held by Snow Hill was held by CMNEG.

9. The long position in the 1,422,915,621 Shares held by China Merchants Group Limited was held by CMNEG, which is controlled by China Merchants Group Limited through its controlled corporation Snow Hill.

10. Magicgrand was owned as to approximately 61.17% by Pairing Venture and approximately 38.83% by Mr. Li as at the Latest Practicable Date. The long position in the 1,422,915,621 Shares held by Magicgrand was held by CMNEG.

11. Pairing Venture was owned as to 100% by Mr. Li as at the Latest Practicable Date. The long position in the 1,422,915,621 Shares held by Pairing Venture was held by CMNEG, which is controlled by Pairing Venture through its controlled corporation Magicgrand.

12. The long position in the 1,422,915,621 Shares held by Mr. Li was held by CMNEG, which is controlled by Mr. Li through his controlled corporations Pairing Venture and Magicgrand.

13. Sino Arena was owned as to 100% by Mr. Zeng as at the Latest Practicable Date. Sino Arena had a long position in the Shares as a result of (i) an aggregate of 100,050,000 Shares to be issued to it pursuant to the Sale and Purchase Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it; and (ii) an aggregate of 1,322,865,621 Shares held by CMNEG and China Green, being persons acting in concert with it.

14. The long position in the 1,422,915,621 Shares held by Mr. Zeng was held by Sino Arena.

15. Ease Soar was an indirect wholly-owned subsidiary of GCL-Poly as at the Latest Practicable Date. Ease Soar had a long position in the Shares as a result of an aggregate of 399,970,000 Shares to be issued to it pursuant to the Sale and Purchase Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it.

16. The long position in the 399,970,000 Shares held by GCL-Poly was held by Ease Soar.

17. Talesun was owned as to 100% by Zhongli Talesun as at the Latest Practicable Date. Talesun had a long position in the Shares as a result of an aggregate of 199,870,000 Shares to be issued to it pursuant to the Sale and Purchase Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it.

18. Zhongli Talesun was owned as to 66.29% by Zhongli, 30.96% by Mr. Wang and 2.75% by an Independent Third Party as at the Latest Practicable Date. The long position in the 199,870,000 Shares held by Zhongli Talesun was held by Talesun.

19. The long position in the 199,870,000 Shares held by Zhongli was held by Talesun, which is controlled by Zhongli through its controlled corporation Zhongli Talesun.

20. The long position in the 199,870,000 Shares held by Mr. Wang was held by Talesun, which is controlled by Mr. Wang through his controlled corporation Zhongli Talesun.

21. Hyatt Servicing was owned as to approximately 99.99% by Mr. Hung and approximately 0.01% by an Independent Third Party as at the Latest Practicable Date. Hyatt Servicing had a long position in the Shares as a result of an aggregate of 120,060,000 Shares to be issued to it pursuant to the Sale and Purchase Agreement assuming that the Consideration Shares were issued and the maximum amount of Conversion Shares which would fall to be issued in full upon the conversion of all Convertible Bonds were issued to it.

22. The long position in the 74,472,000 Shares held by Ms. Peng was held by Gain Intelligence.

23. Gain Intelligence is a company incorporated in the BVI and was 100% controlled by Ms. Peng who was an Independent Third Party as at the Latest Practicable Date. Gain Intelligence was interested in 4,472,000 Share and a long position in 70,000,000 Shares as a result of the outstanding Jet Mile Convertible Notes in the principal amount of HK$37,660,000 and convertible into 70,000,000 Shares at the conversion price of HK$0.538 transferred to it by Jet Mile on 10 April 2013.

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

6. 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.

7. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries or any member of the Target Group which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

8. SERVICE CONTRACTS

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

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

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

9. LITIGATION

The Target Group was involved in disputes with the Huiyang Dalin Glass Company (惠陽大林玻璃有限公司) in connection with the sales of glasses. The court issued judgment in favour of the Target Group and the Target Group was entitled to get full refund of the total contracted amount which is RMB113,025.84.

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

10. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
American Appraisal China Limited	Independent valuer
Fortune Financial Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Veda Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up.

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

11. MATERIAL CONTRACTS

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

I. The Group

(a) the trade mark licence agreement dated 13 July 2011 (the "**Licence Agreement**") entered into among Gay Giano International Limited, Gay Giano Company Limited, Cour Carré Company Limited, Due G Company Limited and Gay Giano World-wide Limited, the then indirect wholly-owned subsidiaries of the Company and Gay Giano Technology Limited, an indirect wholly-owned subsidiary of the Company (collectively, the "**Licensors**") and Top Achiever Investments Limited (the "**Licensee**"), an Independent Third Party whereby, among others, (i) the Licensors granted the Licensee the sole and exclusive license to use the trademarks "Gay Giano", "Cour Carré" and "Due G" registered in Hong Kong and the PRC (collectively, the "**Trademarks**") for a period of 20 years commencing from the date of the License Agreement; (ii) the

Licensee agreed to pay to the Licensors an upfront fee of HK$2,000,000 upon signing of the Licence Agreement and a further licence fee at the rate of 5% of the net profit of the goods manufactured and sold by the Licensee under the Licence Agreement to be paid annually; and (iii) the Licensee agreed to place minimum orders of HK$30,000,000 worth per annum from the Licensors (the "**Minimum Orders Requirement**");

(b) the solar power system design and installation agreement dated 12 October 2011 entered into between CMTST and GPQST, pursuant to which CMTST agreed to provide design, installation and technical support to GPQST for the construction of a PV power generation demonstration project with a maximum generation power of 10.08MW at a consideration of approximately RMB164 million;

(c) the silicon project investment agreement entered into in 2011 (the "**Investment Agreement**") among Goldpoly New Energy Technology Company Limited, a wholly-owned subsidiary of the Company, GCL-Poly (Suzhou) and Silver Rich Development Limited, an associate of Mr. Hung, whereby, among others, the parties thereto agreed to incorporate and invest in a joint venture company in PRC to operate a silicon plant with a production capacity of 300MW for a period of 30 years commencing from the date of the Investment Agreement and to supply silicon to GPQST;

(d) the silicon project investment agreement entered into in 2011 among GCL-Poly (Suzhou), GPQST and the Jinjiang City People's Government in PRC, whereby, among others, (i) GCL-Poly (Suzhou) agreed to construct a silicon plant in the Jinjiang Economic Development Zone in the PRC (the "**Project**") and to supply silicon to GPQST; (ii) GPQST agreed to lease land and factories to GCL-Poly (Suzhou) for the purpose of the Project rent-free for a period of 20 years; and (iii) the Jinjiang City People's Government agreed to provide subsidies to GPQST in respect of the land supplied by GPQST to GCL-Poly (Suzhou) for a period of not more than 10 years.

(e) the supplemental agreement dated 21 June 2012 (the "**Supplemental Licence Agreement**") entered into by the Licensors and the Licensee to amend, vary and modify certain terms and conditions of the Licence Agreement. Pursuant to the Supplemental Licence Agreement, the Licensors agreed to assign the intellectual property rights attached to the Trademarks at a consideration of HK$8.5 million and upon payment of the consideration by the Licensee to the Licensors, the Minimum Orders Requirement shall have no further effect;

(f) the sale and purchase agreement dated 14 May 2012 entered into among China Green, EBOD, the Purchaser and the Company, whereby China Green agreed to sell and the Purchaser agreed to purchase 9% of the then issued share capital of the Target Company at a consideration of HK$21,600,000 (the "**14 May 2012 SPA**");

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

(h) the Sale and Purchase Agreement;

(i) the agreement dated 22 November 2012 entered into among the Target Company, each of the Vendors, EBOD, GCL-Poly Investment, the Purchaser and the Company, whereby, among others, the Purchaser and the Company agreed, subject to the Completion pursuant to the terms and conditions of the Sale and Purchase Agreement (i) all the rights and obligations of any of the parties to the 14 May 2012 SPA which have not been exercised or fulfilled as at the Completion Date shall cease and have no further force and effect; and (ii) the Shareholders' Agreement and all deeds of adherence executed by all shareholders of the Target Company shall be terminated with effect upon the Completion, whereupon all rights and obligations of the shareholders of the Target Company and CMNEG under the Shareholders Agreement and their respective deed of adherence (where applicable) shall cease to be in effect; and

(j) the loan agreement dated 18 December 2012 entered into between 金保利(廈門)商貿有限公司 (Goldpoly (Xiamen) Enterprises Limited**) ("**GPXEL**") and GPQST whereby GPXEL agreed to provide an interest-free loan of RMB100 million to GPQST which will be due on 30 September 2014.

II. The Target Group

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

(a) the framework agreement dated 28 November 2011 entered into between CMLH and CTNE in relation to the grant of exclusive use of the rooftops of the warehouses and distribution centres in the PRC with a total area of not less than 1,000,000 square meters by CMLH to CTNE for a term of 25 years and the development of rooftop solar power systems by CTNE on such area;

(b) the framework agreement dated 29 December 2011 entered into between CSOSA and CTNE in relation to the grant of exclusive use of the rooftops of certain properties in the PRC with a total area of not less than 20,000 square meters by CSOSA to CTNE for a term of 25 years and the development of rooftop solar power systems by CTNE on such area;

(c) the framework agreement dated 30 December 2011 entered into between CMBL and CTNE in relation to the grant of exclusive use of the rooftops of certain properties in the PRC with a total area of not less than 200,000 square meters by CMBL to CTNE for a term of 25 years and the development of rooftop solar power systems by CTNE on such area;

(d) the equity interest transfer agreement dated 4 January 2012 entered into among Faster Assets, CMTST and CMBSS pursuant to which Faster Assets agreed to transfer the entire equity interests in CMBSS to CMTST at a consideration of HK$15,000,000;

(e) the instrument of transfer dated 15 January 2012 executed by EBOD and the Target Company pursuant to which EBOD transferred the entire issued share capital of Faster Assets to the Target Company at a consideration of US$1;

(f) the framework agreement dated 16 January 2012 entered into among GCL-Poly Investment, CMNEG, EBOD and Target Company in relation to the view of establishing a professional and advanced operator of solar plants in the PRC and subscription of shares in the Target Company such that after the share subscription, CMNEG, EBOD and GCL-Poly Investment would respectively hold 55%, 25% and 20% of the issued shares in the Target Company;

(g) the instrument of transfer and the bought and sold notes, all dated 7 February 2012 executed by Best Scene Management Limited ("**Best Scene**") and CTNE pursuant to which Best Scene transferred the entire issued share capital of New Light to CTNE at a consideration of HK$10,000;

(h) the subscription agreement dated 27 March 2012 entered into between the Target Company and CMNEG pursuant to which CMNEG agreed to subscribe for 220 ordinary shares in the Target Company and as consideration for such shares, to transfer the entire equity interests in CTNE to the Target Company;

(i) the instrument of transfer dated 2 April 2012 executed by CMNEG and the Target Company pursuant to which CMNEG transferred the entire issued share capital of CTNE to the Target Company in consideration of 220 ordinary shares of the Target Company at an agreed upon value equal to HK$132 million issued and allotted to CMNEG;

(j) the subscription agreement dated 19 April 2012 entered into among the Target Company, GCL-Poly Investment, CMNEG and EBOD pursuant to which GCL-Poly Investment agreed to subscribe 80 ordinary shares in the Target Company at a cash consideration of HK$48,000,000;

(k) the shareholders agreement dated 19 April 2012 entered into among the Target Company, Ease Soar, CMNEG and China Green in relation to the rights and obligations among the shareholders of the Target Company pertaining to the operation and management of the Target Company;

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

(m) the agreement dated 19 June 2012 entered into between Zhongli Talesun and the Target Company in relation to the acquisition by the Target Company of the equity interests in the project companies for certain solar power plants;

(n) the supplemental agreement dated 19 June 2012 entered into between Zhongli Talesun and the Target Company to supplement the provisions of the agreement dated 19 June 2012 as disclosed in (m) above;

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

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

(q) the supplemental agreement dated 19 July 2012 entered into between GCL-Poly Investment and the Target Company to supplement the provisions of the framework agreement dated 18 June 2012 as disclosed in (l) above;

(r) the agreement in relation to the change in equity interest in CMTST (股權變更協議) dated 20 February 2012 entered into among 北京銀保弘迪股權投資管理中心(有限合夥) (Beijing Yin Bao Hong Di Shareholding Management Centre (Limited Partnership)**) ("**Beijing Yin Bao**"), CMTST and the Target Company pursuant to which Beijing Yin Bao agreed to subscribe 8.4% of the equity interest in CMTST at a consideration of HK$5,500,000;

(s) the instrument of transfer and the bought and sold notes dated 30 July 2012 executed by Blear Services Limited ("**Blear Services**") and Sino Delight pursuant to which Blear Services transferred the entire issued share capital in Fortune Wheel to Sino Delight at a consideration of HK$1;

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

(u) the supplemental agreement dated 2 August 2012 entered into among GCL-Poly Investment, EBOD and the Target Company to supplement the letter of intent dated 2 August 2012 as disclosed in (t) above;

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

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

(x) the second supplemental agreement dated 29 August 2012 entered into between Zhongli Talesun and the Target Company to modify and further supplement the provisions of the agreement dated 19 June 2012 as disclosed in (m) above and the supplemental agreement dated 19 June 2012 as disclosed in (n) above;

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

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

(aa) the instrument of transfer and the bought and sold note, both dated 26 October 2012 executed by Blear Services and Upper Light pursuant to which Blear Services transferred the entire issued share capital of Profit Giant to Upper Light at a consideration of HK$1;

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

(cc) the framework agreement dated 14 November 2012 entered into among GCL-Poly Investment, EBOD and the Target Company which superseded the letter of intent dated 2 August 2012 and the supplemental agreement to the letter of intent dated 2 August 2012 in relation to the acquisition by the Target Company of certain project companies

(or their respective holding companies) with respect to certain power plant projects which are to be developed within the next 5 years from the date of the framework agreement as contemplated under the framework agreement;

(dd) the Sale and Purchase Agreement;

(ee) the agreement dated 22 November 2012 entered into among the Target Company, each of the Vendors, EBOD, GCL-Poly Investment, the Purchaser and the Company, whereby, among others, the Purchaser and the Company agreed, subject to the Completion pursuant to the terms and conditions of the Sale and Purchase Agreement (i) all the rights and obligations of any of the parties to the 14 May 2012 SPA which have not been exercised or fulfilled as at the Completion Date shall cease and have no further force and effect; and (ii) the Shareholders' Agreement and all deeds of adherence executed by all shareholders of the Target Company shall be terminated with effect upon the Completion, whereupon all rights and obligations of the shareholders of the Target Company and CMNEG under the Shareholders Agreement and their respective deed of adherence (where applicable) shall cease to be in effect;

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

(gg) the equity interest transfer agreement dated 20 December 2012 entered into between 江蘇協鑫硅材料科技發展有限公司 (CMSZ and Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd.**) pursuant to which Jiangsu GCL Polysilicon Materials Technology Development Co., Ltd. intends to transfer the entire equity interest in Xuzhou Xinneng to CMSZ for a consideration of RMB34,270,000;

(hh) the equity interest transfer agreement dated 20 December 2012 entered into between 江蘇中能硅業科技發展有限公司 (CMSZ and Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.**) pursuant to which Jiangsu Zhongneng Polysilicon Industry Technology Development Co., Ltd. intends to transfer the entire equity interest in Xuzhou GCL to be established by it to CMSZ for a consideration of RMB7,050,000;

(ii) the equity interest transfer agreement dated 22 December 2012 entered into among CMSZ, Zhongli Talesun and Jiangsu Zhongli in relation to the transfer of the entire equity interest in Zhongli Changzhou from Zhongli Talesun and Jiangsu Zhongli to CMSZ for a consideration of RMB10,000,000; and

(jj) the supplemental agreement dated 22 December 2012 entered into among CMSZ, Zhongli Talesun and Jiangsu Zhongli to supplement the provisions of the Equity Interest Transfer Agreement dated 12 December 2012.

12. 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, at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong;

(c) The company secretary of the Company is Mr. Leung Yuk Lun, Eric who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants;

(d) The auditor of the Company is PricewaterhouseCoopers;

(e) As at the latest Practicable Date, the Board consisted of three executive Directors, namely Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Yiu Ka So; two non-executive Directors, namely Academician Yao Jiannian and Mr. Chiang Chao-Juei; and three independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Yen Yuen Ho, Tony;

(f) The Company has appointed Fortune Financial Capital Limited as its financial adviser. The registered office of Fortune Financial Capital Limited is at 35/F, Office Tower, Convention Plaza, No.1 Harbour Road, Wan Chai, Hong Kong; and

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

13. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company were made up.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 6301, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

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

(b) the letter from the board, the text of which is set out on pages 46 to 157 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 158 to 159 of this circular;

(d) the letter from Veda Capital Limited dated 10 May 2013, the text of which is set out on pages 160 to 215 of this circular;

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

(f) the annual reports of the Company for each of the three years ended 31 December 2010, 2011 and 2012;

(g) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information of the Target Group for the years ended 31 December 2010, 2011 and 2012, the text of which is set out in Appendix II to this circular;

(h) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(i) the Valuation Report of American Appraisal China Limited dated 10 May 2013, the text of which is set out in Appendix V to this circular;

(j) the letter from Fortune Financial Capital Limited in relation to profit forecasts underlying the Valuation Report, the text of which is set out in Appendix VI to this circular;

(k) the report from PricewaterhouseCoopers in relation to the discounted future estimated cash flows in connection with the valuation on the Concession Rights, the text of which is set out in Appendix VI to this circular;

(l) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(m) the agreements referred to in the paragraph headed "Proposed Continuing Connected Transactions" on pages 141 to 151 in this circular; and

(n) this circular.

GOLDPOLY NEW ENERGY HOLDINGS LIMITED
金保利新能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

NOTICE IS HEREBY GIVEN THAT the a special general meeting (the "**Meeting**") of Goldpoly New Energy Holdings Limited (the "**Company**") will be held at Monet Room, B1, Intercontinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 29 May 2013 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**:

   (a) the sale and purchase agreement dated 22 November 2012 (and amended on 31 March 2013) (the "**Sale and Purchase Agreement**") (a copy of which has been produced to the Meeting, marked "A" and initialed by the Chairman of the Meeting for the purpose of identification) entered into among (i) the Company, (ii) Profit Icon Investments Limited (the "**Purchaser**"), (iii) China Merchants New Energy Group Limited, Ease Soar Limited, China Green Limited, Talesun Solar Hong Kong Limited, Hyatt Servicing Limited and Sino Arena Investments Limited (collectively, the "**Vendors**") in relation to the acquisition of approximately 92.17% of the entire issued share capital of China Merchants New Energy Holdings Limited at a total consideration of HK$2,119,910,000 (subject to adjustment), which will be satisfied by the Company's issue of the consideration shares and the convertible bonds as set out in the circular of the Company dated 10 May 2013 (the "**Circular**") (a copy of which has been produced to the Meeting, marked "B" and initiated by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) subject to the Completion (as defined in the Circular), the issue of the Convertible Bonds (as defined in the Circular) to the Vendors or their nominees (if applicable) on and subject to the terms of the Sale and Purchase Agreement be and is hereby approved and confirmed;

   (c) subject to the Completion (as defined in the Circular) and the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the 959,462,250 Consideration Shares (as defined in the Circular), the allotment and issue of the Consideration Shares at a price of HK$1.00 per Consideration Share to the Vendors or their nominees (if applicable) on and subject to the terms of the Sale and Purchase Agreement be and is hereby approved;

* *for identification purpose only*

(d) subject to the Completion (as defined in the Circular) and the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the 1,160,447,750 Conversion Shares (as defined in the Circular), the allotment and issue of the Conversion Shares to the holders of the Convertible Bonds (as defined in the Circular) upon exercise of the conversion rights attaching to the Convertible Bonds (as defined in the Circular) at the initial conversion price of HK$1.00 per Conversion Share (subject to adjustment) be and is hereby approved;

(e) conditional upon the passing of resolutions (a) to (d) above and the Completion (as defined in the Circular), the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot, issue and deal with the Consideration Shares and the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds; and

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

2. ''**THAT** subject to the passing of resolution (1) above, Mr. Alan Li be and is hereby appointed as an executive director of the Company to hold office from the Completion Date (as defined in the Circular).''

3. ''**THAT** subject to the passing of resolution (1) above, Mr. Zhenwei Lu be and is hereby appointed as an executive director of the Company to hold office from the Completion Date (as defined in the Circular).''

4. ''**THAT** subject to the passing of resolution (1) above, Mr. Baiqian Yang be and is hereby appointed as a non-executive director of the Company to hold office from the Completion Date (as defined in the Circular).''

5. ''**THAT** subject to the passing of resolution (1) above, Ms. Maggie, Ping Qiu be and is hereby appointed as a non-executive director of the Company to hold office from the Completion Date (as defined in the Circular).''

6. ''**THAT** subject to the passing of resolution (1) above:

(a) the Continuing Connected Transactions (as defined in the Circular) falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group (as set out in ''Letter from the Board — Part C — Proposed Continuing Connected Transactions'' of the Circular) be and are hereby approved;

(b) the proposed Annual Caps (as defined in the Circular) for the Continuing Connected Transactions (as defined in the Circular) falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved; and

(c) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Continuing Connected Transactions falling within category (A) provision of solar electricity and energy saving service by members of the Enlarged Group to members of CMNEG Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular)."

7. "**THAT** subject to the passing of resolution (1) above:

(a) the Continuing Connected Transactions (as defined in the Circular) falling within category (B) supply of materials by members of GCL-Poly Group to members of the Enlarged Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved;

(b) the proposed Annual Caps (as defined in the Circular) for the Continuing Connected Transactions (as defined in the Circular) falling within category (B) supply of materials by members of GCL-Poly Group to members of the Enlarged Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved; and

(c) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Continuing Connected Transactions falling within category (B) supply of materials by members of GCL-Poly Group to members of the Enlarged Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular)."

8. "**THAT** subject to the passing of resolution (1) above:

(a) the Continuing Connected Transactions (as defined in the Circular) falling within category (C) supply of materials from members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved;

(b) the proposed Annual Caps (as defined in the Circular) for the Continuing Connected Transactions (as defined in the Circular) falling within category (C) supply of materials from members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved; and

(c) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Continuing Connected Transactions falling within category (C) supply of materials from members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular)."

9. "**THAT** subject to the passing of resolution (1) above:

(a) the Continuing Connected Transactions (as defined in the Circular) falling within category (D) provision of processing services by members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved;

(b) the proposed Annual Caps (as defined in the Circular) for the Continuing Connected Transactions (as defined in the Circular) falling within category (D) provision of processing services by members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular) be and are hereby approved; and

(c) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Continuing Connected Transactions falling within category (D) provision of processing services by members of the Enlarged Group to members of EBOD Group (as set out in "Letter from the Board — Part C — Proposed Continuing Connected Transactions" of the Circular)."

10. "**THAT**:

conditional upon the passing of resolution (1) and subject to the Completion (as defined in the Circular) above, the authorised share capital of the Company be and is hereby increased from HK$500,000,000 divided into 5,000,000,000 shares of par value of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 shares by the creation of an additional 5,000,000,000 unissued shares of HK$0.1 each in the capital of the Company, and that any director of the Company be and is hereby authorised to do all such acts and things and to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient for the implementation of, giving effect to or in connection with such increase in the authorised share capital of the Company."

By order of the Board
Goldpoly New Energy Holdings Limited
Lam Ho Fai
Executive Director

Hong Kong, 10 May 2013

Notes:

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

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

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

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

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

6. As at the date hereof, the board of directors of the Company comprises Mr. Lam Ho Fai, Ms. Lin Xia Yang and Mr. Yiu Ka So, being the executive directors; Academician Yao Jiannian and Mr. Chiang Chao-Juei, being the non-executive directors; and Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Yen Yuen Ho, Tony, being the independent non-executive directors.