THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kong Sun Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

KongSun 江山

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 44.587% EQUITY INTEREST IN ZHONGKE HENGYUAN TECHNOLOGY CO., LTD. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 28 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 15 January 2016 at 11:00 a.m. (the "EGM") is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

30 December 2015

CONTENTS

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

"Acquisition"	the acquisition by the Purchaser of the 44.587% equity interest in the Target Company
"Acquisition Agreement"	the acquisition agreement dated 4 December 2015 entered into, among others, the Purchaser and the Vendors in relation to the Acquisition
"Announcement"	the announcement of the Company dated 4 December 2015 in relation to the Acquisition
"Board"	the board of Directors
"Business Day"	any day, except a day as required and authorised by law on which banks in the PRC are not open for business
"Company"	Kong Sun Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of the Acquisition
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	the Shareholders other than those who are required to abstain from voting at the EGM under the Listing Rules in relation to the resolution approving the Acquisition and the transactions contemplated thereunder and their respective associates
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are not connected with (within the meaning under the Listing Rules) the Company, any of the director, chief executive or substantial shareholders (as defined under the Listing Rules)
"Kong Sun Yongtai"	江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Co., Ltd.*), a wholly-owned subsidiary of the Company and a company established under the laws of the PRC
"Latest Practicable Date"	24 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	90 days from the date of the Acquisition Agreement, or such other later date as shall be agreed by the Purchaser and the Vendors in writing
"Material Adverse Effect(s)"	means effect(s) that may result in a deterioration of the Group's assets, liabilities, operations, business or financial conditions, lower or result in the loss of a member of the Group's productivity. For the avoidance of doubt, if an effect will result in the actual loss of more than RMB10 million by a member(s) of the Group individually or collectively, then the effect shall constitute a material adverse effect

"Mr. Xiang"	Mr. Xiang Jun, who is interested in 676,020,000 Shares (representing approximately 6.9% of the issued share capital of the Company as at the Latest Practicable Date) and 60,000,000 share options of the Company as at the Latest Practicable Date, who is also interested in 35.331% equity interest of the Target Company as at the date of the Acquisition Agreement
"PRC"	the People's Republic of China and for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Properties"	Land and properties held by the Target Group
"Properties Valuation"	the valuation of the Properties by an independent professional valuer
"Purchaser"	Kong Sun Yongtai
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (CAP. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holders of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*), a company established under the laws of the PRC
"Target Group"	the Target Company and its subsidiaries

"Vendors"	shareholders of the Target Company comprising 37 individuals and 10 investment holding companies, which together own 44.587% of the equity interest in the Target Company
"Vendors Nominee"	長沙德展投資管理合夥企業 (Zhangsha Dezhuan Investment Management Limited Partnership*), a partnership established under the laws of the PRC
"%"	per cent

* *For identification purposes only*

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

Executive Directors:
Mr. Liu Wen Ping
Mr. Chang Hoi Nam

Non-Executive Directors:
Dr. Ma Ji *(Chairman)*
Mr. Chang Tat Joel

Independent Non-Executive Directors:
Mr. Miu Hon Kit
Mr. Wang Haisheng
Mr. Lu Hongda

Registered Office and Principal Place of Business:
Unit 3601, 36/F
China Resources Building
26 Harbour Road, Wanchai
Hong Kong

30 December 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 44.587% EQUITY INTEREST IN ZHONGKE HENGYUAN TECHNOLOGY CO., LTD. AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Company announced on 4 December 2015 that the Purchaser entered into the Acquisition Agreement with, among others, the Vendors, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell an aggregate of 44.587% equity interest in the Target Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) financial information of the Target Group; (iii) unaudited pro-forma financial information of the Enlarged Group as a result of the Acquisition; (iv) valuation report of the Properties; and (v) a notice of the EGM.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Date

4 December 2015

Parties

(1) Purchaser:

Kong Sun Yongtai, a wholly-owned subsidiary of the Company.

(2) Vendors:

Shareholders of the Target Company comprising 37 individuals and 10 investment holding companies, which together own 44.587% equity interest of the Target Company.

(3) Vendors Nominee, a limited partnership established in the PRC on 6 May 2014, the scope of operations of which are advisory and investment management, nominated by the Vendors to receive any payment of the Consideration on behalf of the Vendors; and

(4) the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Target Company, the Vendors Nominee, the Vendors, and their respective ultimate beneficial owners is an Independent Third Party.

Assets to be acquired

The Purchaser conditionally agreed to acquire from the Vendors an aggregate of 44.587% equity interest in the Target Company.

Further information about the Target Company is set out in the paragraph headed "Information on the Target Company" below.

Consideration

The consideration for the Acquisition is RMB347,800,000.

The deposit ("Deposit") in the amount of RMB10 million had been paid in cash to the Vendors and/or their representatives.

The remaining balance of the Consideration in the aggregate amount of RMB337,800,000 shall be settled in cash by the Purchaser in the following manner:

(i) within three Business Days upon updating the register of members of the Target Company, the first instalment in the aggregate amount of RMB173,900,000 shall be paid by the Purchaser; and

(ii) within ten Business Days upon completion of the registrations with relevant industrial and commercial registration authorities for (i) releasing the share charge created by the Vendors in relation to the equity interests of the Target Company; and (ii) updating the register of members and articles of association of the Target Company (if required to effect the transactions contemplated under the Acquisition Agreement), the remaining balance of the Consideration, less any amount of duties payable by the natural persons of the Vendors which shall be paid by the Purchaser on their behalf, shall be paid by the Purchaser.

All payments of the Consideration shall be paid to the Vendors Nominee, which has been irrevocably appointed by the Vendors to receive any payment of the Consideration. The Purchaser's obligation to pay the Consideration shall be fulfilled upon payment of the Consideration to the Vendors Nominee.

The Deposit was settled by internal resources of the Group. The Group intends to settle the remaining balance of the Consideration by internal resources and/or any future fund raising activities.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors. It was determined with reference to: (i) the net asset value of the Target Company, as extracted from the audited consolidated financial statements of the Target Group as at 30 June 2015; (ii) revaluation of the Properties based on the Valuation Report included in Appendix V of this circular; and (iii) other investments acquired by the Target Group from 1 July 2015 to the Latest Practicable Date (details of which are included under the heading "Other investments and material acquisitions after 30 June 2015 of the Target Group" below); as follows:

	Attributable equity interests to the Target Group for the purpose of assessing the Consideration	Attributable equity interests to the Group under the Acquisition	Attributable equity interests to the Group under the Acquisition
	RMB'000	*%*	*RMB'000*
(i) Net asset value of the Target Group as at 30 June 2015	544,527	44.587%	242,788
(ii) Fair value adjustment on revaluation of the Properties	95,212	44.587%	42,452
(iii) Premium on acquisition of additional 85% equity interests of Zhongke Hengyuan Jiuquan by the Target Group *(Note 1)*	(14,425)* *(as below)*	44.587%	(6,432)
Adjusted net asset value of the Target Group on the Acquisition			278,808
Consideration			347,800
Premium on the Acquisition			68,992

	RMB'000
* Net asset value of Zhongke Hengyuan Jiuquan as at 31 December 2014 *(Note 2)*	50,840
85% equity interests acquired in October 2015	85%
Attributable interests in relation to the additional 85% equity interests acquired by the Target Group	43,214
Cost of 85% equity interests acquired	57,639
Premium on acquisition of additional 85% equity interests in Zhongke Hengyuan Jiuquan	(14,425) *(as above)*

Note 1: Zhongke Hengyuan Jiuquan would be accounted for as a wholly-owned subsidiary of the Target Group for the financial year ending 31 December 2015, after the acquisition of the additional 85% equity interests.

Note 2: As extracted from the latest PRC audited financial statements.

The Directors have also considered the investments in Hami and Anhua (details of which are included under the heading "Other investments and material acquisitions after 30 June 2015 of the Target Group" below) in assessing the Consideration. The Directors consider, for the purpose of assessing the Consideration, no adjustment in relation to these investments to the net asset value of the Target Group above is required as:

1) these investments would be accounted for as "Available-for-sale investments" and initially stated at their fair values, which are the consideration paid for the investments. Thus, these investments would not have any impact on the net asset value of the Target Group at the transaction dates.

2) the above transactions are close to the date of Acquisition and there are no significant change in the fair values of these investments from the transaction dates to the date of Acquisition which would affect the Consideration.

The Consideration represents a premium of RMB68,992,000 and approximately 24.7% of the net asset value of the Target Group (as adjusted above). The Directors, having considered that (i) the Target Company is engaged in multiple business segments as disclosed under the section "Principal businesses of the Target Company" in the Letter from the Board of this circular; (ii) the acquisitions of target companies engaged in the manufacture and sale of wind-solar hybrid street lights (or other street lights) are not very common; and (iii) the Acquisition does not involve the entire, but only partial, equity interest of the Target Company, the Directors noted that precedents of acquisitions by listed companies engaged in the solar power plant business of target companies of similar business nature to the Target Company were not readily available. Recent acquisitions by other listed companies engaged in the solar power plant business did not offer useful or meaningful precedential values as the background, relative size of the targets and nature of the precedents were different from the proposed Acquisition.

From 1 July 2015 to 30 November 2015, the Target Group (as shown in the unaudited management accounts of the Target Group) recorded a revenue of RMB523,305,000 and the total revenue for the eleven months ended 30 November 2015 of the Target Group (as shown in the unaudited management accounts of the Target Group) amounted to RMB643,958,000. The significant increase in the revenue from 1 July 2015 to 30 November 2015, as compared to the six months ended 30 June 2015, was mainly due to the increase in the revenue from engineering, procurement and construction (EPC) of PV power plants amounted to RMB455,701,000. According to the unaudited management accounts of the Target Group, the Target Group recorded a profit after taxation of RMB3,162,000 for the eleven months ended 30 November 2015. Saved as disclosed under the heading "Other investments and material acquisitions after 30 June 2015", the Target Group did not have other material acquisitions or disposals after 30 June 2015.

In view of the potential synergies generated upon Completion, the technological know-how and experience of the Target Group in the engineering, procurement and construction (EPC) of photovoltaic power plants, details of which are further explained under the section headed "REASONS FOR THE ACQUISITION" below, the Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived by the Purchaser (as the case may be, except that condition (iii) below cannot be waived) on or before the Long Stop Date:

i. completion of due diligence on the business, financial, legal, accounting and other matters on the Target Group by the Purchaser;

ii. any major issues discovered during the due diligence exercise are resolved to the satisfaction of the Purchaser;

iii. the Company having obtained approval from the Independent Shareholders on the Acquisition Agreement and the transactions contemplated under the Acquisition in accordance with the requirement of the Listing Rules;

iv. the Company having obtained funding to settle the Consideration;

v. the Purchaser having obtained the written consents and waivers from the shareholders of the Target Company consenting to the Acquisition and waiving any rights of first offer or pre-emption rights (if any) arising from the relevant laws and regulations or any other documents that may affect Completion;

vi. the Vendors and Target Company having obtained all necessary consents and approvals, including but not limited to consents and approvals from the relevant authorities and other third parties, in relation to the Acquisition and the passing of all documentary proofs of such consents and approval to the Purchaser;

vii. the representations, warranties and undertakings given by the Vendors being true and accurate in all material respects on the date of the Acquisition Agreement and remaining true and accurate in all material respects on any date of payment of the Consideration;

viii. no promulgations or implementations of any laws, regulations, injunctions, decisions or policies by the government that will restrict or prohibit the Acquisition or make the Acquisition illegal;

ix. no litigation, arbitration or administrative sanctions against or pending against any member of the Target Group that, if decided adversely, would inhibit or otherwise materially affect the consummation of the transactions contemplated under the Acquisition, or in the reasonable opinion of the Purchaser, would have a Material Adverse Effect on the Target Group; and

x. nothing having occurred which has or, in the reasonable opinion of the Purchaser, is expected to have a Material Adverse Effect.

The Vendors and Target Company have agreed to effect the update and registration of the register of members of the Target Company within ten Business Days from the date of the Completion.

If the above conditions are not fulfilled on or before the Long Stop Date, then the Acquisition Agreement shall terminate.

As at the Latest Practicable Date, none of the above conditions has been satisfied and the Purchaser has no intention to waive any of the above conditions.

INFORMATION ON THE VENDORS

The Vendors comprise 37 individuals and 10 investment holding companies:

	Company		**Percentage holding of the Target Company as at the Latest Practicable Date (per cent.)**
1.	Xi Zang Shan Nan Shi Ji Jin Yuan Investment Management Company Limited* (西藏山南世紀金源投資管理有限公司), a company ultimately owned by:		7.500%
	– Huang Shi Ying (黄世熒)	40.000%	
	– Huang Tao (黃濤)	60.000%	
		100.000%	
2.	Beijing He Zhan Tai Bao Investment Company Limited* (北京合展泰寶投資有限公司), a company ultimately owned by:		6.667%
	– Tian Ping (田萍)	5.000%	
	– Tian Gong Chang (田功昌)	28.500%	
	– Tian Xue (田雪)	3.325%	
	– Tian Cui Xia (田翠霞)	63.175%	
		100.000%	

	Company *(continued)*		**Percentage holding of the Target Company as at the Latest Practicable Date (per cent.)**
3.	Beijing De Run He Investment Company Limited* (北京德潤禾投資有限公司), a company ultimately owned by:		4.783%
	– Tan Xiao Ting (譚曉婷)	90.909%	
	– Li Ming (李明)	5.455%	
	– Ling Yun (淩雲)	3.636%	
		100.000%	
4.	Hunan Bai Fu Zhi Investment Advisory Company Limited* (湖南百富智投資諮詢有限公司), a company ultimately owned by:		2.640%
	– Luo Jing Song (羅勁松)	70.000%	
	– Luo Jing Hu (羅勁虎)	30.000%	
		100.000%	
5.	Hunan Jing Sheng Trading Company Limited* (湖南景盛經貿有限公司), a company ultimately owned by Xu Ren Sui (徐人燧).		2.500%
6.	Bao Tou Heng Tong (Group) Company Limited* (包頭市恒通(集團)有限責任公司), a company ultimately owned by:		1.875%
	– Zhang Xiu Gen (張秀根)	78.892%	
	– Miao Yu Li (苗玉莉)	21.108%	
		100.000%	
7.	Hunan Shi Jia Investment Company Limited* (湖南世嘉投資有限公司), a company ultimately owned by:		1.667%
	– Xu Ying Feng (徐穎豐)	60.000%	
	– Liu Yun Liang (劉運良)	20.000%	
	– Yi Si Lai (易思來)	20.000%	
		100.000%	

Company *(continued)*			Percentage holding of the Target Company as at the Latest Practicable Date (per cent.)
8.	Beijing Bo Guan Fu Yuan Founding Investment (Limited Partnership)* (北京博觀福遠創業投資中心(有限合夥)), the partners of which are:		1.667%
	– Zhang Hua Yu (張華玉)	60.000%	
	– Zhao Yong Xia (趙永霞)	5.142%	
	– Huang Jie (黃潔)	1.020%	
	– Zou Jian Long (鄒劍龍)	12.250%	
	– Zhou Hong Li (周洪麗)	10.200%	
	– Li Ming (李明)	4.080%	
	– Dan Sheng Yuan (單升元)	2.040%	
	– Zhang Kai (張凱)	0.168%	
	– Cai Kai Jian (蔡開堅)	1.543%	
	– Cai Bing (蔡冰)	3.557%	
		100.000%	
9.	Beijing Jiu Zhou Du Chun Yu Investment Company Limited* (北京九州島春雨投資有限公司), a company ultimately owned by:		0.833%
	– Fang Hai Tao (方海濤)	96.533%	
	– Zhang Liu Qun (張柳群)	3.467%	
		100.000%	
10.	Ning Bo Yang Hua Corporate Management Advisory Corporate Partnership (Limited Partnership)* (寧波仰華企業管理諮詢合夥企業(有限合夥)), the partners of which are:		0.833%
	– Sun Kai (孫凱)	99.000%	
	– Sun Peng (孫鵬)	1.000%	
		100.000%	

	Individuals	Percentage holding of the Target Company as at the Latest Practicable Date (per cent.)
1.	Cai You Liang (蔡友良)	3.304%
2.	Wang Wen Ming (王文明)	1.250%
3.	Xu Zhong Ci (許忠慈)	1.242%
4.	Yao Tu Sheng (姚土生)	1.056%
5.	Deng Kai (鄧凱)	0.833%
6.	Luo Xi Cun (羅心村)	0.533%
7.	Ceng Zhi Yong (曾智勇)	0.528%
8.	Liu Hui (劉暉)	0.458%
9.	Zhang Hai Yan (張海燕)	0.417%
10.	Liu Jian Hui (劉建輝)	0.417%
11.	Tan Ying Qiu (譚應球)	0.275%
12.	Jiang Chong Jun (蔣崇軍)	0.267%
13.	Zhang Yan Xia (張豔霞)	0.250%
14.	Zhou Wen (周文)	0.208%
15.	Li Rong Da (李榮達)	0.183%
16.	Chen Mu Lin (陳木林)	0.167%
17.	Zhang Zhen Sheng (章真勝)	0.167%
18.	Luo Han Jun (駱漢軍)	0.167%
19.	Lu Wei (盧偉)	0.167%
20.	Liang Lan (梁嵐)	0.167%
21.	Fu Xiang (傅湘)	0.167%
22.	Li Ke (李珂)	0.167%
23.	Hui Hong Wei (惠宏偉)	0.167%
24.	Lou Li Zheng (婁力爭)	0.125%
25.	Liu Qing (劉清)	0.125%
26.	Liu Peng Fei (劉鵬飛)	0.108%
27.	Zhao Qiang (趙強)	0.091%
28.	Zhu Shi Kui (朱士魁)	0.083%
29.	Cao Zhi Wei (曹志偉)	0.083%
30.	Wang Zhen (王震)	0.083%
31.	Deng Hong (鄧紅)	0.083%
32.	Ou Yang Ni Ying (歐陽嶷英)	0.058%
33.	Wang Hai Feng (汪海峰)	0.058%
34.	Li Su Mei (李素梅)	0.042%
35.	Deng Xiao Xi (鄧小希)	0.042%
36.	Cai Xia Ming (蔡夏明)	0.042%
37.	Xiong Meng (熊猛)	0.042%
		44.587%

As at the date of the Acquisition Agreement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Vendors (and in the case of the Vendors who are corporate entities, their respective ultimate beneficial owner(s)):

(i) except for entering into the Acquisition Agreement, has entered into any agreement, arrangement, understanding and undertaking (whether formal or informal and whether express or implied) with a connected person of the Company in relation to the Acquisition;

(ii) except for their respective equity interests in the Target Company, has any relationship (in business, shareholding or otherwise) with Mr. Xiang and his associates;

(iii) has been financed directly or indirectly by a connected person of the Company or Mr. Xiang in their respective original investment in the Target Company; nor

(iv) is accustomed to take instructions from a connected person of the Company and/or Mr. Xiang in relation to the acquisition, disposal, voting or other disposition of interest in the Target Company registered in the relevant Vendor's name or otherwise held by the relevant Vendor.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in Guangzhou, the PRC on 25 August 2005, as a limited liability company under the Company Law of the PRC (中華人民共和國公司法) and was converted into a joint stock limited liability company on 29 December 2006. The Target Group is principally engaged in the construction and development of photovoltaic power station projects and manufacture and sale of wind-solar hybrid street lights in the PRC.

Historical transactions of the Group with the Target Company

As disclosed in the 2014 annual report and 2015 interim report of the Company, the Company entered into several memoranda of understanding, cooperation agreements and framework agreements on proposed acquisition of or investments in photovoltaic power plants in the PRC since 2014, of which the Company acquired various project companies, including the acquisitions of the entire equity interests of the following three project companies:

(i) Hami Chaoxiang New Energy Technology Co., Ltd.* (哈密朝翔新能源科技有限公司), from Beijing Hengyuan Tiantai Energy Technology Co., Ltd.* (北京恒源天泰能源科技有限公司) ("Beijing Hengyuan") and Xinjiang Zhongke Hengyuan New Energy Technology Co., Ltd.* (新疆中科恒源新能源科技有限公司), both of the vendors were companies ultimately wholly-owned by the Target Company, immediately before completion of the acquisition, details of the acquisition are disclosed in the announcement of the Company dated 30 October 2014;

(ii) Yumen Yonglian Technology New Energy Co., Ltd.* (玉門市永聯科技新能源有限公司), 19% equity interest of which was acquired from Beijing Hengyuan and the remaining 81% equity interest of which was acquired from Shenzhen Intercontinental Trading Investment Co., Ltd.* (深圳市洲際通商投資有限公司), a party independent of each and all the shareholders of the Target Company, details of the acquisition are disclosed in the announcement of the Company dated 4 November 2014; and

(iii) Gansu Hongyuan Solar Electric Co., Ltd.* (甘肅宏遠光電有限責任公司), from the Target Company and Gansu Zhongke Hengyuan New Energy Technology Co., Ltd.* (甘肅中科恒源新能源科技有限公司), both of the vendors were companies ultimately wholly-owned by the Target Company immediately before completion of the acquisition, details of the acquisition are disclosed in the announcement of the Company dated 7 November 2014.

Principal businesses of the Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Target Group's principal business consists of three major principal business segments, namely:

(i) (a) self development of photovoltaic ("PV") power plants, including the following projects under constructions as at the Latest Practicable Date:

Location	Estimated capacity	Type of PV	Commencement date	Total estimated cost to completion *(RMB)*	Expected date of completion	Book value as at 30 June 2015 *(Note 1)* *(RMB)*
Datong City, Shanxi Province	20 MW	Ground mounted PV power plant	May 2014	160,000,000	January 2016	50,593,000
Jiayuguan City, Gansu Province	50 MW	Ground mounted PV power plant	September 2014	400,000,000	August 2016	31,205,000
Baiyin City, Gansu Province	1.2 MW	Solar panels on telecommunication stations	September 2014	27,837,000	January 2016	14,380,000
Yiyang City, Hunan Province	1.8 MW	Rooftop PV system	March 2015	37,580,000	March 2016	14,365,000
Chenzhou City, Hunan Province	1.4 MW	Rooftop PV system	October 2014	32,458,000	January 2016	21,853,000
Yumen City, Gansu Province	30 MW	Ground mounted PV power plant	May 2015	230,000,000	March 2016	8,982,000
Chifeng City, Inner Mongolia	50 MW	Ground mounted PV power plant	February 2015	380,000,000	March 2016	4,982,000
					Total	146,360,000

The ground mounted PV power plants are built on land parcels which are remotely located. The land parcels where the solar power plants situated are of low economic value and hence the Target Group, follows the similar practices of other solar power plants operators, would only rent the land from the local government.

Leases were entered into with local governments in relation to land parcels used for the construction of ground mounted PV power plants. Below is a summary of the land leases in respect of the above-mentioned ground mounted PV power plants:

Location	Lease period	Lease fee
Datong City, Shanxi Province	May 2014 to April 2034 (20 years)	First 5 years: RMB193,416 per year Second 5 years: RMB209,534 per year Third 5 years: RMB225,652 per year Fourth 5 years: RMB241,770 per year
Jiayuguan City, Gansu Province	N/A *(Note)*	N/A *(Note)*
Yumen City, Gansu Province	N/A *(Note)*	N/A *(Note)*
Chifeng City, Inner Mongolia	February 2015 to January 2041 (26 years)	RMB248,000 per year

Note: Local government granted rent-free period to these projects during the construction stage. Upon completion of the construction of the solar power plants, the project companies have to pay lease fees to the local government, amounts of which have to be negotiated with the local government by then.

Typical economic useful lives of solar power plants are 20 years or more.

It is a usual practice in the development of solar power plants that the EPC contractor and/or suppliers of components will grant credit period to the project companies and hence the settlement of the above-mentioned development costs would be by stages. The Target Group intended to settle the above-mentioned development costs by internal resources and available facilities.

(b) Self-developed PV power plants completed as at the Latest Practicable Date:

Location	**Estimated capacity Kilowatt ("KW")**	**Type of PV**	**Book value as at 30 June 2015** *(Note 2)* *(RMB)*
Beijing	300 KW	Rooftop PV system	3,296,000
Changsha City	300 KW	Rooftop PV system	4,129,000
Kunming City	883 KW	Rooftop PV system	5,773,000
		Total	13,198,000

Note 1: Amount recognized as solar power plants under development in note 11 to the audited financial statements of the Target Group in Appendix II to this circular.

Note 2: Amount recognized as solar power plants in note 11 to the audited financial statements of the Target Group in Appendix II to this circular.

(ii) engineering, procurement and construction (EPC) of PV power plants for customers, in which the Target Group will receive a EPC revenue on providing the EPC services, including the following major projects as at the Latest Practicable Date:

Location	**Estimated capacity**	**Current status**	**Contract sum** *(RMB)*	**Expected date of completion**
Lankao County, Henan Province	30 MW	Completed	85,532,000	Completed
Shilin City, Yunnan Province	56 MW	Under construction	121,542,000	March 2016
Puyang City, Henan Province	60 MW	Under construction	192,000,000	March 2016
Yuli County, Xinjiang Province	20 MW	Under construction	71,280,000	March 2016
Qianyang City, Shaanxi Province	20 MW	Under construction	70,685,000	End of December 2015
Hebi City, Henan Province	50 MW	Under construction	158,058,000	January 2016

The customers of all the above EPC contracts are private enterprises engaged in the investment in and development of PV power plants in the PRC.

(iii) the manufacture and sale of wind-solar hybrid street lights, including the following major projects as at the Latest Practicable Date:

Customer	**Total Contract sum** *RMB'000*	**Progress**
Lanzhou New Area City Development Investment Co. Ltd.* 蘭州新區城市發展投資有限公司	12,000	Fully completed
Chengzhou Hi-Tech Investment Holding Co. Ltd.* 郴州高科投資控股有限公司	79,800	Under construction; expected to be partially completed in 2nd half of 2015; majority of project expected to be completed in 2016
Hohhot City Engineering Management Co. Ltd.* 呼和浩特市政工程管理公司	33,340	Under construction; partially completed; project expected to be fully completed in 2016
Fushan Industrial Park Community Management Committee* 富山工業園管委會建管中心	8,000	Under construction and expected to be completed in 2nd half of 2015
Total	133,140	

Majority of the Target Group's customers in relation to sale of wind-solar hybrid street lights are local government bodies or companies related to state-owned enterprise in the PRC. Typically, the local government body would initiate a tender to invite operators such as the Target Group and/or its competitors to construct street lights. In addition, the marketing team of the Target Group would actively visit its potential and/or existing customers to see if there are potential opportunities to gain businesses.

On getting a sales contract signed, the Target Group would, in accordance with the specifications as stated in the sales contract, manufacture certain of the components, such as wind turbine and controllers; and purchases the remaining materials and components, such as solar panels, inverters, PV modules, batteries and refrigerators, from its suppliers. The Target Group would then assemble the components together and deliver the street lights to its customers according to the terms of the sales contract. The duration of the sales contract could vary from months to more than a year, depending on the complexity of the specifications and the number of street lights to be provided.

Other investments and material acquisitions after 30 June 2015 of the Target Group

(a) Acquisition of a subsidiary

On 16 October 2015, the Target Group acquired 85% equity interest in Zhongke Hengyuan (Jiuquan) New Energy Science and Technology Co., Ltd.* ("Zhongke Hengyuan Jiuquan") (中科恒源(酒泉)新能源科技有限公司) for a consideration of RMB57,638,805. After the acquisition, Zhongke Hengyuan Jiuquan became a wholly-owned subsidiary of the Target Group. Zhongke Hengyuan Jiuquan is a company established in the PRC, which is principally engaged in the development of and investment in a 9MW photovoltaic power plant in Jiuquan, Gansu Province, the PRC. The solar power plant owned by Zhongke Hengyuan Jiuquan has been connected to the power grid in 2013.

Brief summary of the financial information of Zhongke Hengyuan Jiuquan, as extracted from the PRC audited financial statements, are as follows:

	RMB'000
For the year ended 31 December 2014	
Revenue	11,406
Profit before taxation	2,061
Profit after taxation	2,061
As at 31 December 2014	
Total asset value	153,085
Net asset value	50,840

(b) Acquisition of available-for-sale investments

(i) On 9 November 2015, the Target Group acquired 7.62% equity interest in Hami Commercial Bank Co., Ltd. ("Hami") from an independent third party for a consideration of RMB79,949,000. After the completion of such acquisition, Hami would be accounted for as "Available-for-sale investments" in the consolidated statement of financial position of the Target Group.

Brief summary of the financial information of Hami, as extracted from the PRC audited financial statements, are as follows:

	RMB'000
For the year ended 31 December 2014	
Revenue	257,105
Profit before taxation	128,974
Profit after taxation	91,358
As at 31 December 2014	
Total asset value	5,154,498
Net asset value	798,697

(ii) Pursuant to a shareholders' resolution of the Target Company, the Target Company entered into a series of transactions (the "Transactions") in November 2015 in respect of the shares in Huatian Hotel Co., Ltd. 華天酒店集團股份有限公司 ("Huatian"):

1) The Target Company signed a loan agreement of RMB1,010,828,200 with Nanjing Kaen Industrial Trading Co., Ltd. 南京卡恩工貿有限公司 ("Nanjing Kaen"), to finance the acquisition of shares in Huatian.

2) The Target Company effectively acquired 181,820,100 shares in Huatian through Hunan Huaxin Hengyuan Investment (limited partnership) 湖南華信恒源股權投資企業(有限合夥) ("Huaxin Hengyuan"), a limited partnership set up for the sole purpose of investment in Huatian for a consideration of RMB1,001,828,200. As at the Latest Practicable Date, 60.61% and 15% of the shares of Huaxin Hengyuan is beneficially owned by the Target Company and Mr. Xiang Jun, respectively.

3) Pursuant to an agreement signed between the Target Company and Nanjing Kaen, the Target Company transferred its rights of returns in Huaxin Hengyuan to Nanjing Kaen for a consideration of RMB1,010,828,200.

4) Pursuant to a supplemental agreement signed between the Target Company and Nanjing Kaen, the Target Company agreed to offset the consideration receivable from Nanjing Kaen against its loan from Nanjing Kaen resulting from the above transactions.

Huatian is a company established in the PRC principally engaged in the business of operation of hotels and other tourism businesses in the PRC. The headquarters of Huatian is located at Changsha, the same location where the Target Company is headquartered.

To raise capital for its business, Huatian invited the Target Company to invest in it in 2014. The Target Company signed an agreement for the subscription of new shares in Huatian in December 2014. The reason at that time was that there would be business co-operation opportunities with Huatian and in particular, the business opportunity to install distributed PV systems at the hotels operated by Huatian.

Having considered that the volatile market conditions in 2015, the Target Company decided to minimize the economic risk associated with the investment. Accordingly the Target Company entered into the Transactions as set out above. With the Transactions in place, the Directors consider that the Target Group would not have any economic interests of its equity position in Huatian upon completion of the Acquisition.

(iii) During the period from July 2015 to the Latest Practicable Date, the Target Group entered into several agreements to acquire 14.56% equity interests in Anhua Agricultural Insurance Co., Ltd. ("Anhua") from independent third parties for an aggregate consideration of RMB255,510,000 and rights to acquire 268,250,000 shares through rights issue exercise (the "Rights Issue") in Anhua for an aggregate consideration of RMB51,612,500. In addition, the Target Group subscribed 357,900,000 shares through the Rights Issue at a consideration of RMB486,744,000. Assuming the Target Group participates in the Rights Issue and exercised its rights in full, the Target Group would hold 4,681,200,000 shares in Anhua, representing approximately 16.67% equity interests in Anhua. The subscription of the shares have to be registered and approved by the China Insurance Regulatory Commission ("CIRC"). As at the Latest Practicable Date, 97,000,000 shares in respect of the shares transfer of above-mentioned investments in Anhua has been completed and registered under the name of the Target Group. After the completion of such agreements, Anhua would be accounted for as "Available-for-sale investments" in the consolidated statement of financial position of the Target Group.

Brief summary of the financial information of Anhua, as extracted from the PRC audited financial statements, are as follows:

	RMB'000
For the year ended 31 December 2014	
Revenue	2,674,523
Profit before taxation	50,661
Profit after taxation	50,656
As at 31 December 2014	
Total asset value	4,173,992
Net asset value	1,171,573

Anhua is an insurance company approved by the CIRC and is specialized in the provision of insurance services relating to the agricultural sector in the PRC. During the process of assessment on the development of agricultural-solar hybrid projects, the Target Company get to know that Anhua wants to diversify its shareholders base. As insurance products require steady future income stream to support the distribution of the compensation of insurance policies, the steady income stream provided by solar power businesses would be very suitable for insurance company. As such, the Target Company participated in the investment of the equity interests in Anhua, with a view to have further co-operation with Anhua on sourcing of fundings from Anhua in the future.

Reconciliation of Valuation of Properties

Grant Sherman Appraisal Limited, an independent valuer, has valued the Properties as of 31 October 2015. Texts of its letter, summary of valuation and valuation certificates issued by Grant Sherman Appraisal Limited are included in Appendix V to this circular.

The table below sets forth the reconciliation of the net book value of the Properties held by the Target Group as of 30 June 2015, as set out in Appendix II to this circular, to the market value of the Properties held by the Target Group as at 31 October 2015, as included in the valuation report, in Appendix V to this circular.

	RMB ('000)
Net book value of the Properties held by the Target Group as of 30 June 2015 (audited), as set out in Appendix II to this circular	84,288
Fair value adjustment (valuation surplus)	95,212
Market value of the Properties as of 31 October 2015, as set out in the valuation report in Appendix V to this circular	179,500

REASONS FOR THE ACQUISITION

As disclosed under the section "INFORMATION ON THE TARGET COMPANY", the Company had previously acquired three project companies from the Target Group in 2014 which held three completed PV power plants. From the previous experiences of the acquisitions from the Target Group, the Directors had considered further acquisitions of PV power plants, including completed projects and projects under construction.

The Company is principally engaged in properties investment, manufacturing and sale of life-like plants and investment in photovoltaic power plants in the PRC. The Company has, since late April 2014, entered into a number of memoranda of understanding and agreements for the development of photovoltaic power plants across the PRC. The Acquisition signifies the furtherance of the Group's initiative into the photovoltaic power sector in the PRC and presents a good opportunity for the Group's long-term development.

In considering the potential integration of the Target Group's business with the Group's existing business upon Completion, the Board considered that the Target Group's principal businesses include:

(a) the manufacture and sale of wind-solar hybrid street lights:

The Target Company has many years of experience in the manufacture and sale of wind-solar hybrid street lights business. The manufacture and sale of wind-solar hybrid street lights involves the using of the production technology in both wind and solar power generation. In particular, it involves the purchasing of solar panels from reliable suppliers, which is an important material to be used in solar power plants.

The Group, in the process of developing its own solar power plants, needs to source high quality solar panels from reliable suppliers. Upon completion of the Acquisition, the Enlarged Group will benefit from the synergies of shared resources relating to the sourcing of reliable solar panel suppliers;

(b) engineering, procurement and construction (EPC) of PV power plants:

The Target Company has many years of experience in the EPC of PV power plants. The Target Group has a team of experienced staff which involves in the whole process of the designing, sourcing of materials, building and engineering of a PV power plant and successfully delivered a lot of solar power plants to its customers in the past years.

The Group currently engages independent EPC contractors to build solar plants for the Group. Upon completion of the Acquisition, the Group can benefit from the shared experiences in the EPC business from the Target Group, in particular, on the screening of the hiring of independent EPC contractors and the monitoring of the EPC work during the construction stages;

(c) the sale of solar energy-related products:

Both the Target Group and the Group are engaged in the trading of solar energy-related products. Upon completion of the Acquisition, the Enlarged Group could share the experience and information between each other, in particular, the market information related, but not limited, to the trend in the market prices, demand and supply of products, and market research on the products. Accordingly, the Enlarged Group could benefit from obtaining additional market information in making its business decisions; and

(d) the sale of electricity:

Both the Target Group and the Group are involved in sale of electricity. Upon completion of the Acquisition, the Enlarged Group could share the experience and information between each other, in particular, the market information related, but not limited, to the market information related to the electricity reform in the PRC, the demand and supply of electricity in different areas in the PRC, and market research on utilization hours in different areas in the PRC. Accordingly, the Enlarged Group could benefit from obtaining additional market information in making the decisions on investing in solar power plants.

Given that the experience of the Target Company in the development of photovoltaic power stations could complement and enhance the Group's initiative in developing photovoltaic power stations in the PRC and the wind-solar hybrid street lights could be an income stream for the Group, and that the Acquisition is being carried out after arm's length negotiations on normal commercial terms, the Directors are of the view that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, (i) there is no agreement or arrangement between the Vendors and the Company in relation to the appointment of any individuals of the Vendors to become Directors; and (ii) the Company has no intention to acquire the remaining interest of the Target Company on or before August 2016. The Directors will continue to monitor and review the Group's business and operations from time to time, and may take steps that they deem necessary or appropriate to optimise the value of the Group. The Stock Exchange has indicated that if the Company acquires further interest in the Target Group after August 2016, the Stock Exchange will aggregate these further acquisition(s) with the Acquisition and assess whether these further acquisition(s) would constitute a reverse takeover under Rule 14.06(6) of the Listing Rules.

As at the Latest Practicable Date, Pohua JT Private Equity Fund L.P. ("Pohua") is the controlling shareholder of the Company which holds 5,855,820,000 Shares, representing approximately 59.83% of the issued share capital of the Company. The general partner of Pohua is Pohua JT Capital Partners Limited, which is ultimately held as to 15% by Mr. Zhang Fengwu (through his wholly-owned company, Fortune Financial Holdings (LP) Limited), 16% by Mr. Chang Tat Joel, a non-executive Director of the Company (through his wholly-owned companies, Infinity Gain Enterprises Limited and Cheer Full Management Limited), 49% by Ms. He Sensen (through her wholly-owned company, Golden Port Holdings Limited) and 20% by Mr. Li Haifeng (through his wholly-owned companies, Triumph Alliance Holdings Limited and JT Capital Investments Limited).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are 25% or more and all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

The EGM will be convened and held at which ordinary resolution(s) will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve the Acquisition Agreement and transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Vendors are independent of the Company and connected persons of the Company; and (ii) Mr. Xiang, who is interested in 676,020,000 Shares (representing approximately 6.9% of the issued share capital of the Company as at the Latest Practicable Date) and 60,000,000 share options of the Company as at the Latest Practicable Date, is also interested in 35.331% equity interest of the Target Company as at the Latest Practicable Date. Accordingly, Mr. Xiang's interest in the ordinary resolution(s) to be proposed at the EGM may be different from the other Shareholders of the Company, Mr. Xiang and his associates shall abstain from voting in the relevant resolutions approving the Acquisition Agreement and the transactions contemplated thereunder. Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition Agreement and the transactions contemplated thereunder. As such, no Shareholder (other than Mr. Xiang) is required to abstain from voting at the EGM.

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice of the EGM to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 15 January 2016 at 11:00 a.m., at which an ordinary resolution will be proposed to approve the Acquisition Agreement and the transactions contemplated therein. Shareholders and their associates with a material interest in the Acquisition Agreement and transactions contemplated thereunder shall abstain from voting on the resolution approving same. Whether or not you propose to attend the meeting, you are requested to read the notice of EGM and form of proxy, which are enclosed in this circular in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting at the meeting should you so wish.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, the Target Group would be accounted for using the equity method as "Interest in an associate" in the consolidated financial statements of the Group.

Based on the unaudited pro-forma financial information of the Enlarged Group set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro-forma financial information, the Group's total assets would be decreased by approximately RMB2.1 million and the Group's total liabilities would be unchanged as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro-forma financial information are set out, for illustration purpose only, in Appendix IV to this circular.

According to the annual report of the Group for the year ended 31 December 2014, the Group recorded an audited consolidated profit attributable to Shareholders of the Company of approximately RMB11,667,000. According to the accountants' reports of the Target Group as set out in Appendix II to this circular, the Target Group recorded an audited consolidated profit attributable to shareholders of the Target Company of approximately RMB9,202,000 for the year ended 31 December 2014. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Acquisition is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Kong Sun Holdings Limited
Liu Wen Ping
Executive Director

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for (i) each of the three years ended 31 December 2012, 2013 and 2014; and (ii) the six months ended 30 June 2015 are set out in the (a) annual reports of the Group for the years ended 31 December 2012 (pages 22 to 101), 2013 (pages 22 to 101) and 2014 (pages 41 to 113); and (b) the interim report of the Company for the six months ended 30 June 2015 (pages 35-62), respectively, which are published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (www.kongsun-hldgs.com) respectively.

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the performance of the Group for the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015 based on the Company's annual reports for the years ended 31 December 2012, 2013 and 2014 and the interim report for the six months ended 30 June 2015. Capitalised terms in this section follow the definitions as set out in the respective annual reports and interim report.

For the period ended 30 June 2015

BUSINESS REVIEW

Photovoltaic Power Plants Business

From 2014 onwards, the Group entered into several memoranda of understanding, cooperation agreements and framework agreements on proposed acquisition of or investments in photovoltaic ("PV") power plants in the PRC, as follows:

Date	Name and location of project	Capacity and type of power plants	Status as at 30 June 2015
29 April 2014	Lincheng County, Hebei Province	50 MW; Ground mounted PV power plants	Under negotiations and no formal agreement has been entered into by the Group
30 April 2014	Anhui and Yunnan Provinces	261 MW; Ground mounted PV power plants	Project suspended and no further negotiation will be continued by the Group
4 September 2014	Across PRC	Total 800 MW to 1,000 MW from 2014 to 2016; Ground mounted PV power plants	Project suspended and no further negotiation will be continued by the Group

Date	Name and location of project	Capacity and type of power plants	Status as at 30 June 2015
24 October 2014	Across PRC	N/A	Set up of investment fund, which is still under negotiations and no formal agreement has been entered into by the Group
28 November 2014	Across PRC	Total 800 MW from 2015 to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group
3 December 2014	Across PRC	Total 600 MW from 2015 to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group
18 December 2014	Across PRC	Not less than 300 MW for three years up to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group
26 May 2015	Across PRC	Total 324 MW; Ground mounted PV power plants	Under negotiations and no formal agreement has been entered into by the Group

As at 30 June 2015, the Group had the following ground mounted PV power plants under development:

Name of project*	Location of project	Capacity of power plants	Status as at 30 June 2015
Enfei New Energy (Shuozhou) Limited Company (恩菲新能源(朔州)有限公司)	Shaanxi Province	70 MW	Major construction work not yet started; expected to be completed by early 2016
Dunhuang Wanfa New Energy Limited Company (敦煌萬發新能源有限公司)	Gansu Province	60 MW	Majority of construction work is completed; expected to connect to power grid by end of September 2015
Yulin BYD New Energy Limited Company (榆林市比亞迪新能源有限公司)	Shaanxi Province	300 MW	Major construction work not yet started; 50 MW is expected to be completed by end of 2015

Name of project*	Location of project	Capacity of power plants	Status as at 30 June 2015
Qiangmao Energy Eerduosi Limited Company (強茂能源鄂爾多斯市有限責任公司)	Inner Mongolia	10 MW	Major construction work is completed; expected to connect to power grid by end of September 2015
Shandong Xintailou Dejiayang Solar Power Generation Limited Company (山東新泰樓德佳陽光伏發電有限公司)	Shandong Province	20 MW	Major construction work is completed; expected to connect to power grid by end of September 2015
Haidong Ledu District Rui Qida Photovoltaic Power Company Limited (海東市樂都區瑞啟達光伏發電有限公司)	Qinghai Province	20 MW	Major construction work not yet started
Keping Tianhua New Energy Electricity Limited Company (柯坪天華新能源電力有限公司)	Xinjiang Province	20 MW	Major construction work not yet started
Total		**500 MW**	

As at 30 June 2015, the Group had the following ground mounted PV power plants completed:

Name of project*	Location of project	Capacity of power plants
Gansu Hongyuan Photovoltaic Limited Company (甘肅宏遠光電有限責任公司)	Gansu Province	30 MW
Yumen Yonglian Technology New Energy Limited Company (玉門市永聯科技新能源有限公司)	Gansu Province	20 MW
Hami Zhaoxiang New Energy Technology Limited Company (哈密朝翔新能源科技有限公司)	Xinjiang Province	20 MW
Yingjisha Tianhuaweiye Solar Technology Limited Company (英吉沙縣天華偉業太陽能科技有限公司)	Xinjiang Province	20 MW
Wushi Huayangweiye Solar Technology Limited Company (烏什縣華陽偉業太陽能科技有限公司)	Xinjiang Province	20 MW
Kuche Tianhua New Energy Electric Power Limited Company (庫車天華新能源電力有限公司)	Xinjiang Province	20 MW

Name of project*	Location of project	Capacity of power plants
Maigaiti Linuo Solar Power Limited Company (麥蓋提力諾太陽能電力有限公司)	Xinjiang Province	20 MW
Hejing Xushuang Photovoltaic Technology Limited Company (和靜旭雙太陽能科技有限公司)	Xinjiang Province	20 MW
Langzhou Taike Photovoltaic Power Limited Company (蘭州太科光伏電力有限公司)	Gansu Province	49.5 MW
Total		**219.5 MW**

* The English translation of these companies' names is for reference only. The official names of these companies are in Chinese.

Properties Investment

The Group continued to generate rental income from its properties investment in Hong Kong. During the six months ended 30 June 2015, the Group disposed one of its investment properties located in Hong Kong through disposing all the issued shares of a wholly owned subsidiary of the Company and recorded a gain on disposal of a subsidiary.

Life-Like Plants Business

During the six months ended 30 June 2015, the Group continued to generate revenue from the sales of life-like plants. The turnover from life-like plants business increased by 14.4% from approximately RMB1,613,000 for the six months ended 30 June 2014 to approximately RMB1,846,000 for the six months ended 30 June 2015. The life-like plants business continues to be loss making, but the loss has been reduced from approximately RMB1,804,000 for the six months ended 30 June 2014 to approximately RMB1,622,000 for the six months ended 30 June 2015.

Securities Investment

For the six months ended 30 June 2014, the Group recorded a gain of approximately RMB6,735,000 on disposal of available-for-sale financial assets. During the six months ended 30 June 2015, the Group did not invest in any securities.

RESULTS OF OPERATIONS

Turnover

The turnover of the Group increased by 166.2 times from approximately RMB2,476,000 for the six months ended 30 June 2014 to approximately RMB413,954,000 for the six months ended 30 June 2015. The increase was primarily due to an increase in the turnover from the sales of electricity and sales of solar energy related products.

Revenue from sales of electricity and sales of solar energy related products

For the six months ended 30 June 2015, the Group recorded a total amount of approximately RMB45,468,000 (2014: Nil) from the sales of electricity (includes tariff adjustment). In addition, the Group had gained revenue of approximately RMB365,670,000 (2014: Nil) from the sales of solar energy related products during the six months ended 30 June 2015.

Revenue from sales of life-like plants

The Group's revenue from sales of life-like plants increased by approximately 14.4% from approximately RMB1,613,000 for the six months ended 30 June 2014 to approximately RMB1,846,000 for the six months ended 30 June 2015.

Rental income

The Group's rental income increased by approximately 12.4% from approximately RMB863,000 for the six months ended 30 June 2014 to approximately RMB970,000 for the six months ended 30 June 2015.

Gross profit

The gross profit of the Group increased by 118.8 times from approximately RMB612,000 for the six months ended 30 June 2014 to approximately RMB73,311,000 for the six months ended 30 June 2015, mainly because of an increased gross profit due to increase in revenue from sales of electricity and sales of solar energy related products.

Valuation gains on investment properties

The Group holds certain properties for rental income and/or capital appreciation purposes in Hong Kong. The Group's investment properties are revaluated at the end of the respective period end on an open market value or existing use basis by an independent property valuer. For the six months ended 30 June 2015, the Group recorded increase in fair value of investment properties of RMB5,138,000 (2014: Nil). The increase in fair value of the Group's investment properties during the six months ended 30 June 2015 reflected a rise in the property price in Hong Kong over the period under review.

Other revenue

Other revenue of the Group increased by approximately 190.8% from approximately RMB1,301,000 for the six months ended 30 June 2014 to approximately RMB3,783,000 for the six months ended 30 June 2015. The increase was mainly due to the increase in interest income of approximately RMB2,539,000 as a result of the increase in bank deposits with the banks.

Other net income

The Group recorded a net income of approximately RMB19,648,000 for the six months ended 30 June 2015 (30 June 2014: RMB5,817,000). The significant increase was mainly due to the net gain on disposal of a subsidiary amounting to approximately RMB17,737,000 (2014: Nil) during the six months ended 30 June 2015.

Administrative expenses

Administrative expenses of the Group increased by approximately 615.5% from approximately RMB9,415,000 for the six months ended 30 June 2014 to approximately RMB67,369,000 for the six months ended 30 June 2015. The significant increase in the Group's administrative expenses during the period under review was attributable to (i) increase in legal and other professional fees amounted to approximately RMB3,466,000 in relation to, including but not limited to, the issue of new shares by the Company during the six months ended 30 June 2015; (ii) increase in office rental expenses of approximately RMB7,026,000; (iii) increase in salaries and wages amounted to approximately RMB13,495,000 due to increase in head count to support the increasing business demand in operation; (iv) equity-settled based payment expenses in relation to staff and consultants of the Group amounted to approximately RMB30,585,000; and (v) increase in travelling and transportation expenses amounted to approximately RMB1,623,000.

Solar power plants

As at 30 June 2015, the Group had a net book value of approximately RMB1,265,395,000 (31 December 2014: RMB533,903,000) and approximately RMB1,148,519,000 (31 December 2014: RMB1,034,247,000) in completed solar power plants and solar power plants under development, respectively.

Investment properties

The Group continues to hold certain investment properties in Hong Kong for rental purposes. As at 30 June 2015, the total investment properties held by the Group, at valuation, amounted to approximately RMB46,133,000 (31 December 2014: RMB77,943,000).

Goodwill

During the six months ended 30 June 2015, the Group had acquired one solar power plant with operations and as at 30 June 2015, the Group had a total amount of approximately RMB36,543,000 (31 December 2014: RMB35,050,000) in respect of goodwill on acquisitions.

Liquidity and Capital Resources

As at 30 June 2015, the total amount of cash and cash equivalents and pledged bank deposits was approximately RMB1,391,034,000 (31 December 2014: approximately RMB1,160,535,000). As at 30 June 2015, cash and cash equivalents of the Group was approximately RMB1,154,061,000 (31 December 2014: approximately RMB1,008,312,000), which included an amount of bank deposits of approximately RMB555,732,000 (31 December 2014: approximately RMB827,828,000), denominated in RMB. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in HK$ denominated accounts with banks in Hong Kong and the PRC.

As at 30 June 2015, the Group's debt ratio, which was calculated by the total liabilities over the total equity, decreased from the ratio of 0.66 as at 31 December 2014 to 0.58 as at 30 June 2015.

Capital Expenditure

During the six months ended 30 June 2015, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB4,170,000 (2014: RMB1,072,000) and RMB861,510,000 (2014: Nil), respectively.

Loans and Borrowings

As at 30 June 2015, the Group's total loans and borrowings was approximately RMB676,217,000, representing an increase of approximately RMB53,714,000 over an amount of approximately RMB622,503,000 as at 31 December 2014. All the loans and borrowings of the Group, except for an equivalent amount of approximately RMB232,155,000 (31 December 2014: approximately RMB5,720,000) which were denominated in HKD, were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the six months ended 30 June 2015, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Company did not use any financial instruments for hedging purposes. The Directors expect any future exchange rate fluctuation may not have any material effect on the Group's business but will continue to monitor its foreign exchange exposures and enter into hedging arrangement as and when appropriate.

Charge on Assets and Contingent Liabilities

As at 30 June 2015, the Group has pledged bank deposits of approximately RMB236,973,000 (31 December 2014: approximately RMB152,050,000), and land and buildings and solar power plants with net book value of approximately RMB4,693,000 (31 December 2014: approximately RMB3,630,000) and approximately RMB528,239,000 (31 December 2014: approximately RMB533,903,000), respectively, to secure general banking and other loans facilities granted to the Group.

As at 31 December 2014, the Group's bank deposits in the amount of approximately RMB173,000 had been pledged to a bank for the requirement of the customs authorities of the PRC.

As at 30 June 2015, the Group had no significant contingent liabilities (31 December 2014: Nil).

Employees and Remuneration Policy

As at 30 June 2015, the Group had approximately 178 employees (31 December 2014: 174) located in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2015, the total employees compensation expenses, excluding equity-settled share-based payment expenses, were approximately RMB15,458,000 (2014: approximately RMB1,963,000). The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

MATERIAL ACQUISITION AND DISPOSAL

(a) The Group entered into a sale and purchase agreement on 15 June 2015 with Marvel Star Group Limited in relation to the sale of the 100,000 shares in Coast Holdings Limited to Marvel Star Group Limited at a consideration of HK$70,000,000;

(b) On 5 June 2015, the Group acquired a 49.5 MW PV project located in Lanzhou, Gansu Province, at a consideration of RMB495 million; and

(c) On 5 May 2015, the Group acquired a 20 MW PV project located in Hejing County, Xinjiang Province, at a consideration of RMB193.6 million.

PROSPECT

Environmental protection remains one of the areas of concern in the National People's Congress and Chinese People's Political Consultative Conference and related policies have been adopted. Premier Li Keqiang has indicated in the Government Work Report 2015 that great efforts should be devoted to the development of the clean energy sector, including photovoltaic power generation. From January to June 2015, China added 7.73 gigawatts of photovoltaic installed capacity, which was 134% more than the added capacity for the corresponding period of 2014. This shows that the photovoltaic power generation sector is experiencing rapid growth in the PRC.

During the first half of 2015, the Group continued to invest in photovoltaic power plants and recorded significant increase in revenue during the period under review. Leveraging on the strong financial position due to the successful fund raising transactions during the six months ended 30 June 2015, the Group has a competitive edge in executing its strategic plans to acquire and develop photovoltaic power plants in the PRC. In particular, the Group is presently in various stages of discussion with various stakeholders of photovoltaic power plants over potential acquisitions in the PRC. The Board is confident that, with the Group's solid and experienced management, the Group will be able to continue to grasp investment opportunities with excellent returns.

In the upcoming future, the Company will continue to review its investment portfolio from time to time and, in particular, strive to increase its investment in photovoltaic power plants with the aim of becoming a leading photovoltaic plant operator in China and eventually a leading photovoltaic plant operator in Asia Pacific with economies of scale that will be well received by the public markets.

For the year ended 31 December 2014

BUSINESS REVIEW

Photovoltaic Power Plants Business

In 2014, the Company entered into several memoranda of understanding, cooperation agreements and framework agreements on proposed acquisition of or investments in PV power plants in the PRC, as follows:

Date	Name and location of project	Capacity and type of power plants	Status as at 31 December 2014
22 April 2014	Gansu Province	30 MW; Ground mounted PV power plants	Project suspended and no further negotiation will be continued by the Group
29 April 2014	Lincheng County, Hebei Province	50 MW; Ground mounted PV power plants	Under negotiations and no formal agreement has been entered into by the Group

Date	Name and location of project	Capacity and type of power plants	Status as at 31 December 2014
30 April 2014	Anhui and Yunnan Provinces	261 MW; Ground mounted PV power plants	Under negotiations and no formal agreement has been entered into by the Group
4 September 2014	Across PRC	Total 800 MW to 1,000 MW from 2014 to 2016; Ground mounted PV power plants	Under negotiations and no formal agreement has been entered into by the Group
24 October 2014	Across PRC	N/A	Set up of investment fund still under negotiations and no formal agreement has been entered into by the Group
28 November 2014	Across PRC	Total 800 MW from 2015 to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group
3 December 2014	Across PRC	Total 600 MW from 2015 to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group
18 December 2014	Across PRC	Not less than 300 MW for three years up to 2017; Distributed PV power plants	Under negotiations and no formal agreement has been entered into by the Group

As at 31 December 2014, the Group had the following ground mounted PV power plants under development:

Name of project*	Location of project	Capacity of power plants	Status as at 31 December 2014
Enfei New Energy (Shuozhou) Limited Company (恩菲新能源(朔州)有限公司)	Shaanxi Province	70 MW	Major construction not yet started; expected to be completed by end of September 2015
Dunhuang Wanfa New Energy Limited Company (敦煌萬發新能源有限公司)	Gansu Province	60 MW	Majority of construction work is completed; expected to connect to grid by end of April 2015

Name of project*	Location of project	Capacity of power plants	Status as at 31 December 2014
Maigaiti Linuo Solar Power Limited Company (麥蓋提力諾太陽能電力有限公司)	Xinjiang Province	20 MW	Majority of construction work is completed; expected to connect to grid by end of April 2015
Kuche Tianhua New Energy Electric Power Limited Company (庫車天華新能源電力有限公司)	Xinjiang Province	20 MW	Majority of construction work is completed; expected to connect to grid by end of March 2015
Wushi Huayangweiye Solar Technology Limited Company (烏什縣華陽偉業太陽能科技有限公司)	Xinjiang Province	20 MW	Majority of construction work is completed; expected to connect to grid by end of March 2015
Yingjisha Tianhuaweiye Solar Technology Limited Company (英吉沙縣天華偉業太陽能科技有限公司)	Xinjiang Province	20 MW	Connected to grid on 9 March 2015
Yulin BYD New Energy Limited Company (榆林市比亞迪新能源有限公司)	Shaanxi Province	300 MW	Major construction not yet started; 150 MW is expected to be completed by end of 2015

During the year ended 31 December 2014, the Group had acquired the following ground mounted PV power plants, which had already been connected to grid and generated electricity revenue for the Group:

Date of acquisition	Name of project*	Location of project	Capacity of power plants
7 November 2014	Gansu Hongyuan Photovoltaic Limited Company (甘肅宏遠光電有限責任公司)	Gansu Province	30 MW
4 November 2014	Yumen Yonglian Technology New Energy Limited Company (玉門市永聯科技新能源有限公司)	Gansu Province	20 MW
30 October 2014	Hami Zhaoxiang New Energy Technology Limited Company (哈密朝翔新能源科技有限公司)	Xinjiang Province	20 MW

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

Properties investment

The total rental income of the Group from its properties investment increased by approximately 69.5% from approximately RMB994,000 for the year ended 31 December 2013 to approximately RMB1,685,000 for the year ended 31 December 2014, driven by an increase in units of the Group's investment properties were being rented out during the year under review.

Life-like plants business

The turnover from life-like plants business decreased by approximately 25.3% from approximately RMB6,370,000 for the year ended 31 December 2013 to approximately RMB4,760,000 for the year ended 31 December 2014.

Securities investment

For the year ended 31 December 2014, the Group had recorded a net gain on available-for-sale securities amounted to approximately RMB6,735,000 (2013: loss of approximately RMB3,472,000). During the year ended 31 December 2014, the Group had disposed of all of its securities investments and the Group did not hold any investment in securities as at 31 December 2014.

RESULTS OF OPERATIONS

Turnover

The turnover of the Group increased by 71.2 times from approximately RMB7,364,000 for the year ended 31 December 2013 to approximately RMB524,283,000 for the year ended 31 December 2014. The increase was primarily due to increase in revenue from the sales of electricity (including tariff adjustment) and increase in sales of solar energy related products.

Revenue from sales of electricity and sales of solar energy related products

The Group had the first time generated revenue from sales of electricity in the second half of 2014 from its PV power plants. For the year ended 31 December 2014, the Group recorded a total amount of approximately RMB9,547,000 (2013: Nil) from the sales of electricity (includes tariff adjustment). In addition, the Group had gained revenue of approximately RMB508,291,000 (2013: Nil) from the sales of solar energy related products during the year ended 31 December 2014.

Revenue from sales of life-like plants

The Group's revenue from sales of life-like plants decreased by approximately 25.3% from approximately RMB6,370,000 for the year ended 31 December 2013 to approximately RMB4,760,000 for the year ended 31 December 2014.

Rental income

The Group's rental income increased by approximately 69.5% from approximately RMB994,000 for the year ended 31 December 2013 to approximately RMB1,685,000 for the year ended 31 December 2014.

Gross profit

The gross profit of the Group increased by 32.6 times from approximately RMB1,510,000 for the year ended 31 December 2013 to RMB49,153,000 for the year ended 31 December 2014, mainly due to the increase in revenue from sales of electricity and sales of solar energy related products during the year under review.

Valuation gains on investment properties

The Group holds certain properties for rental income and/or capital appreciation purposes in Hong Kong. The Group's investment properties are revaluated at the end of the respective year end on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2014, the Group recorded increases in fair value of investment properties of RMB2,298,000 (2013: RMB2,473,000). The increase in fair value of the Group's investment properties during the years ended 31 December 2014 and 2013 reflected a rise in the property price in Hong Kong over the period under review.

Other revenue

Other revenue of the Group increased by approximately 399.7% from approximately RMB1,888,000 for the year ended 31 December 2013 to approximately RMB9,434,000 for the year ended 31 December 2014. The increase is mainly due to the increase in interest income of approximately RMB4,531,000 as a result of the increase in bank deposits with the banks.

Other net income/(loss)

The Group recorded a net income of approximately RMB7,958,000 for the year ended 31 December 2014 (2013: net loss of approximately RMB637,000). The significant improvement was mainly due to the net gain on disposal of property, plant and equipment and disposal of available-for-sale securities of approximately RMB2,698,000 and RMB6,735,000, (2013: RMB105,000 and RMB Nil), respectively, during the year ended 31 December 2014.

Administrative expenses

Administrative expenses of the Group increased by approximately 255.7% from approximately RMB11,310,000 for the year ended 31 December 2013 to approximately RMB40,225,000 for the year ended 31 December 2014. The increase was attributable to (i) increase in legal and other professional fees amounted to approximately RMB880,000 in relation to, including but not limited to, the issue of new Shares by the Company during the year 2014; (ii) increase in office rental expenses of approximately RMB591,000; (iii) increase in salaries and wages amounted to approximately RMB5,466,000 due to increase in head count; (iv) equity-settled based payment expenses in relation to staff and consultants of the Group amounted to approximately RMB15,448,000; (v) increase in auditors' remuneration amounted to approximately RMB1,184,000; and (vi) increase in travelling and transportation expenses amounted to approximately RMB1,191,000.

Solar power plants

As at 31 December 2014, the Group had a net book value of approximately RMB533,903,000 (2013: Nil) and approximately RMB1,034,247,000 (2013: Nil) in completed solar power plants and solar power plants under development, respectively.

Investment properties

The Group continues to hold certain investment properties in Hong Kong for rental purposes. As at 31 December 2014, the total investment properties, at valuation, amounted to approximately RMB77,943,000 (2013: RMB75,399,000).

Goodwill

During the year ended 31 December 2014, the Group had acquired three solar power plants with operations and recorded a total amount of approximately RMB35,050,000 (2013: Nil) in respect of goodwill on the acquisitions.

Liquidity and Capital Resources

As at 31 December 2014, the total amount of cash and cash equivalents and pledged bank deposits was approximately RMB1,160,535,000 (2013: approximately RMB88,039,000). As at 31 December 2014, cash and cash equivalents of the Group was approximately RMB1,008,312,000 (2013: approximately RMB87,933,000), which included an amount of bank deposits of approximately RMB827,828,000 (2013: approximately RMB37,349,000), denominated in RMB. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in HK$ denominated accounts with banks in Hong Kong.

As at 31 December 2014, the Group's debt ratio, which was calculated by the total liabilities over the total equity, increased from the ratio of 0.11 as at 31 December 2013 to 0.66 as at 31 December 2014.

Capital Expenditure

During the year ended 31 December 2014, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB1,762,000 (2013: RMB2,118,000) and RMB624,847,000 (2013: Nil), respectively.

Loans and Borrowings

As at 31 December 2014, the Group's total loans and borrowings was approximately RMB622,503,000, representing an increase of approximately RMB615,068,000 over an amount of approximately RMB7,435,000 as at 31 December 2013. All the loans and borrowings of the Group, except for an equivalent amount of approximately RMB5,720,000 (2013: approximately RMB6,227,000) which were denominated in HK$, were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2014, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose.

Charge on Assets and Contingent Liabilities

As at 31 December 2014, the Group has pledged bank deposits of approximately RMB152,223,000 (2013: approximately RMB106,000), and land and buildings and solar power plants with net book value of approximately RMB3,630,000 (2013: approximately RMB10,407,000) and approximately RMB533,903,000 (2013: Nil), respectively, to secure general banking and other loans facilities granted to the Group.

As at 31 December 2014, the Group's bank deposits in the amount of approximately RMB173,000 (2013: approximately RMB106,000) had been pledged to a bank for the requirement of the customs authorities of the PRC.

As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

Employees and Remuneration Policy

As at 31 December 2014, the Group had approximately 174 (2013: 125) employees located in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2014, the total employees compensation expenses were approximately RMB9,775,000 (2013: approximately RMB6,859,000). The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

MATERIAL ACQUISITIONS AND DISPOSALS

(a) On 7 November 2014, the Group acquired a 30 MW PV project located in Jiuquan City, Gansu Province, at a consideration of RMB99,570,000;

(b) On 4 November 2014, the Group acquired a 20 MW PV project located in Yumen City, Gansu Province, at a total consideration of RMB62,087,400;

(c) On 30 October 2014, the Group acquired a 20 MW PV project located in Hami City, Xinjiang Province, at a total consideration of RMB41,070,000;

(d) On 7 July 2014, the Company, 江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Co., Ltd.), a wholly-owned subsidiary of the Company, BYD Auto Industry Co., Ltd. and 榆林市比亞迪新能源有限公司 (Yulin City BYD New Energy Co., Ltd.), entered into an agreement, pursuant to which Kong Sun New Energy Investment (Yangzhou) Co., Ltd. agreed to acquire from BYD Auto Industry Co., Ltd. the entire equity interest in Yulin City BYD New Energy Co., Ltd., a project company engaged in the development of a 300 MW photovoltaic power station in Shaanxi Province, the PRC, for RMB204,000,000.

PROSPECT

To diversify the revenue stream of the Group, the Board has started to evaluate different kinds of investments in both Hong Kong and the PRC during the first half of 2014. In particular, the Group had for the first time invested in certain photovoltaic power plants during the year under review. In light of the increasing attention on the clean energy sector worldwide, the Board is of the opinion that its investments in the photovoltaic power plants would create high investment returns for the Group in the long run.

The Strategic Action Plan for Energy Development (2014-2020) issued by the State Council in November 2014 stated that clean and low-carbon energy shall increase as a percentage of energy consumption. It envisioned that the share of renewable energies such as solar and wind energy in electricity consumption shall increase significantly going forward. The government document also stated a goal of having the country's installed PV capacity increase to 100 gigawatts (GW) by 2020. Environmental protection related policies remain one of the most concerned issues in the National People's Congress ("NPC") and Chinese People's Political Consultative Conference ("CPPCC"). Premier Li Keqiang said in the Government Work Report 2015 that great efforts should be devoted to develop clean energy sectors, including photovoltaic power generation sector.

As the leader of the global solar PV market, PRC has the most advanced solar technology. Answering the call to combat pollution, the Group has been investing in photovoltaic power plants. The Board is confident about the prospect of such investments and their potential for creating a significant growth in business in the coming decades. The PRC central government had reiterated its support to the clean energy sector under the "Twelfth Five-year Plan". This will further benefit the Group's development.

Looking forward, the Group will continue to review its investment portfolio from time to time and in particular, grasp the opportunities in investing in photovoltaic power stations to pursue a strong and rapid growth, with an aim to maximizing the investment returns for its shareholders.

For the year ended 31 December 2013

REVIEW OF OPERATIONS

For the year ended 31 December 2013, the turnover of the Group amounted to approximately HK$9,229,000. Loss attributable to shareholders has decreased to approximately HK$7,786,000 from approximately HK$10,901,000 recorded in last year. The decrease of loss for the year was mainly contributed by (i) an absence of the loss on written off of property, plant and equipment and inventories made in last year; (ii) an absence of the impairment loss recognised in respect of goodwill and property, plant and equipment made in last year; (iii) a reduction of gain on disposal of available-for-sale financial assets; and (iv) a reduction of gain on fair value changes of investment properties.

Properties Investment

The Group's properties investment business had contributed approximately HK$1,246,000 to the total revenue of the Group for the year ended 31 December 2013. The turnover has reduced by about HK$474,000 due to investment properties not fully occupied during the year. The imposition of stamp duties charges by HKSAR Government, such as buyers' stamp duty, special stamp duty and double stamp duty, during the year to curb speculation, the property market has started to cool down and show signs of stabilisation. The Group's investment properties were valued at approximately HK$95,900,000 as at 31 December 2013, which represented an increment of approximately HK$3,100,000 as compared to last year. It is expected that the revenue from the properties investment business would have a steady growth in the coming future.

Life-like Plants Business

The life-like plants business had contributed approximately HK$7,983,000 to the total revenue of the Group for the year ended 31 December 2013. The turnover of the segment increased by approximately HK$1,143,000 when compared with last year. Uncertainties of the United States economy and the relapse of the European debt crisis have generated concerns over the global economies which are likely to influence the life-like plants business. It will be challenging in the forthcoming year for the Group's export to these regions. The Group will continue to closely monitor our business operations and enhance its product differentiation to maintain its competitiveness in the industry.

Securities Investment

As at 31 December 2013, the Group managed a portfolio of investments in capital market with fair value of approximately HK$43,178,000. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Prospects

The challenging market conditions will continue to affect the business environment, it is expected that the global market remains volatile in the forthcoming year. Therefore, it is important for the Group to carry on the businesses in a cautious pace.

The Group has undertaken a placing of shares during the year which further solid the working capital and financial position of the Group. The Group is also actively looking for new investment and business opportunities to deliver the greatest return to shareholders.

Capital Structure

As at 31 December 2013, the Group has shareholders' equity of approximately HK$289,449,000 and the share capital of the Company had the following changes:

On 3 October 2013, 293,700,000 ordinary shares of par value HK$0.01 each were issued at the placing price of HK$0.086 per placing share.

Investment Position and Planning

During the year ended 31 December 2013, the Group spent approximately HK$2,611,000 for acquisition of fixed assets.

The Group has invested in shares of certain companies that are traded over The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2013, the Group has acquired and disposed of equity securities of a company listed on the Stock Exchange. As at 31 December 2013, the Group held long-term and short-term investments with fair value of approximately HK$42,105,000 and HK$1,073,000 respectively.

Saved as disclosed above, the Group did not have any other significant investment and there is no other material acquisition or disposal of subsidiaries and associated company during the year.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2013, the Group's bank deposits in the amount of approximately HK$136,000 (31 December 2012: approximately HK$1,161,000) had been pledged to banks for the requirement of the customs authorities of the PRC.

As at 31 December 2013, the Group has pledged land and buildings with net book value of approximately HK$13,237,000 (31 December 2012: approximately HK$13,752,000) to secure general banking facilities granted to the Group.

Employees and Remuneration Policies

As at 31 December 2013, the Group has approximately 125 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with build-in-merit components incorporated in annual review to reward and motivate individual performance.

Liquidity and Financial Resources

As at 31 December 2013, the total shareholders fund of the Group amounted to approximately HK$289,449,000 (2012: HK$259,093,000), total assets of approximately HK$320,647,000 (2012: HK$289,020,000), current liabilities of approximately HK$22,741,000 (2012: HK$22,182,000) and non-current liabilities of approximately HK$8,457,000 (2012: HK$7,745,000).

The debt ratio (based on the total liabilities over the equity) of the Group decreased from the ratio of 0.12 as at 31 December 2012 to 0.11 as at 31 December 2013.

As at 31 December 2013, the Group has bank borrowing of approximately HK$7,920,000 which bears interest ranging from 1.375% to 2% per annum below prime rate or 2.5% per annum over 1 month Hong Kong Interbank Offered Rate, whichever is lower, and is repayable on demand. The Group also has a short-term interest-free loan of RMB1,200,000 (approximately HK$1,537,000) borrowed from an independent third party. The cash and bank balances of the Group at the end of the reporting period amounted to approximately HK$111,841,000. The gearing ratio, as a ratio of total borrowings over total assets was 0.03.

Foreign exchange exposure and treasury policies

The Group's business operation and investments are in Hong Kong and the PRC, most of the assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and Renminbi. The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

For the year ended 31 December 2012

REVIEW OF OPERATIONS

For the year ended 31 December 2012, the turnover of the Group amounted to approximately HK$8,560,000. Loss attributable to shareholders has decreased to approximately HK$10,901,000 from approximately HK$43,416,000 recorded in last year. The decrease of loss for the year was mainly contributed by the absence of the loss arising from fair value changes of convertible bonds made in last year, gain on fair value changes of investment properties and gain on disposal of available-for-sale financial assets.

Properties Investment

The Group's properties investment business had contributed approximately HK$1,720,000 to the total revenue of the Group for the year ended 31 December 2012. The turnover has reduced by about HK$538,000 due to investment properties not fully occupied during the year. In general, the property prices in Hong Kong have risen to record high levels due to the strong market demand and the inflow of capital, as the global money supply and liquidity have increased substantially. The Group's investment properties were valued at approximately HK$92,800,000 as at 31 December 2012, which represented an increment of approximately HK$15,550,000 as compared to last year. It is expected that the revenue from the properties investment business would have a steady growth in the coming future.

Life-like Plants Business

The life-like plants business had contributed approximately HK$6,840,000 to the total revenue of the Group for the year ended 31 December 2012. The turnover of the segment reduced by approximately HK$62,331,000 when compared with last year. The significant decrease was mainly caused by the termination of production line of Christmas trees, where the impact have reflected in the Interim Report in 2012. Due to the increase in the cost of materials and labour cost in the PRC and keen competition of the market, the business of Christmas trees declined significantly.

For the business of artificial flowers, it was affected by adverse business environment brought by the European sovereign debt crisis and the uncertain United States economy, less sale orders were received. The Group will enhance its product differentiation and closely monitor the production costs without deteriorating the product quality to maintain its competitiveness in the industry.

Securities Investment

As at 31 December 2012, the Group managed a portfolio of investments in capital market with fair value of approximately HK$23,465,000. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Prospects

Despite of the competitiveness in life-like plants business, the Group would continue to enhance its product differentiation and cost control initiatives so as to remain competitive in the industry. The Group has undertaken a placing of shares during the year which further solid the working capital and financial position of the Group. The Group is committed to explore new investment and business opportunities to deliver the greatest return to shareholders.

Capital Structure

As at 31 December 2012, the Group has shareholders' equity of approximately HK$14,690,000 and the share capital of the Company had the following changes:

On 31 July 2012, there was a capital reduction of the Company by cancelling share capital paid up or credited as paid up to the extent of HK$0.19 per share upon each of the shares in issue and by reducing the nominal value of all the issued and unissued shares in the share capital of the Company from HK$0.20 to HK$0.01 per share.

On 31 July 2012, there was a change in board lot size for trading in the shares of the Company from 5,000 shares to 25,000 shares.

On 31 July 2012, there was an increase in authorised share capital from HK$20,000,000 (divided into 2,000,000,000 shares) to HK$200,000,000 (divided into 20,000,000,000 shares) by the creation of an additional 18,000,000,000 shares of par value HK$0.01 each.

On 12 October 2012, 750,000,000 ordinary shares of par value HK$0.01 each were issued at the placing price of HK$0.07 per placing share.

Investment Position and Planning

During the year ended 31 December 2012, the Group spent approximately HK$9,990,000 for acquisition of fixed assets, which included the property acquired through the property swap agreement at deemed cost of HK$8,980,000 as at the completion date of this agreement on 25 May 2012. Details of the property swap agreement were set out in announcement of the Company dated 24 February 2012.

The Group has invested in shares of certain companies that are traded over the Stock Exchange. During the year ended 31 December 2012, the Group has acquired and disposed of equity securities of a company listed on the Stock Exchange. As at 31 December 2012, the Group held long-term and short-term investments with fair value of approximately HK$22,332,000 and HK$1,133,000, respectively.

Saved as disclosed above, the Group did not have any other significant investment and there is no other material acquisition or disposal of subsidiaries and associated company during the year.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2012, the Group's bank deposits in the amount of approximately HK$1,161,000 (31 December 2011: approximately HK$1,158,000) had been pledged to banks for the requirement of the customs authorities of the PRC.

As at 31 December 2012, the Group has pledged land and buildings with net book value of approximately HK$13,752,000 (31 December 2011: approximately HK$10,824,000) to secure general banking facilities granted to the Group.

Employees and Remuneration Policies

As at 31 December 2012, the Group has approximately 115 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with build-in-merit components incorporated in annual review to reward and motivate individual performance.

Liquidity and Financial Resources

As at 31 December 2012, the total shareholders fund of the Group amounted to approximately HK$259,093,000 (2011: HK$217,682,000), total assets of approximately HK$289,020,000 (2011: HK$252,200,000), current liabilities of approximately HK$22,182,000 (2011: HK$24,550,000) and non-current liabilities of approximately HK$7,745,000 (2011: HK$9,968,000).

The debt ratio (based on the total liabilities over the equity) of the Group decreased from the ratio of 0.16 as at 31 December 2011 to 0.12 as at 31 December 2012.

The Group's business operation and investments are in Hong Kong and the PRC, most of the assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and Renminbi. The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

3. WORKING CAPITAL

The Directors, after due and careful consideration and taking into account the proposed Acquisition, internal resources, banking and other facilities available to the Enlarged Group, are of the opinion that the Enlarged Group would have sufficient working capital for at least 12 months from the date of publication of this circular.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had unsecured bank overdrafts of RMB239,000, unsecured corporate bonds payable of RMB285,419,000 and secured mortgage of RMB1,860,000 and secured other borrowings of RMB537,543,000, respectively. The mortgage was secured by property, plant and equipment and the other borrowings were secured by solar power plants and lease prepayments.

The Directors confirm that, as of 31 October 2015, being the latest practicable date for the purpose of this indebtedness statement, save as aforesaid, the Group did not have any debt securities, borrowings, indebtedness, mortgages and charges, contingent liabilities and guarantees. Apart from the loan from Pohua JT Private Equity Fund L.P. (details of which is disclosed in the announcement of the Company dated 19 November 2015), of which a total amount of RMB1,226,829,000 (equivalent to approximately HK$1,500,000,000) has been withdrawn as at the Latest Practicable Date, the Directors confirm that there have been no material changes in the indebtedness or contingent liabilities of the Group since 31 October 2015.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As set out in the Announcement of the Company, the Acquisition signifies the furtherance of the Group's initiative into the photovoltaic power sector in the PRC and presents a good opportunity for the Group's long-term development. The Directors consider, via the Company's investment in the Target Company, the income stream of the Group would be diversified. In particular, the Group can benefit from the experience and expertise of the Target Group in addition to having its own EPC business in solar plants. Certain business segments of the Target Group are the same as the Group's existing businesses, such as sale of solar energy-related products and sale of electricity. As such, the Enlarged Group could benefit from the synergies of having co-operations between the Group and the Target Group in the areas of personnel and resources.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. ACQUISITION AFTER 31 DECEMBER 2014 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

From 1 January 2015 to the Latest Practicable Date, the Group acquired the following companies:

Date of Agreement	Name of acquired companies	Nature of business of the acquired companies	Equity interests acquired	Aggregate consideration of the acquisitions and settlement of consideration
5 May 2015	和靜旭雙太陽能科技有限公司 (Hejing Xushuang Photovoltaic Technology Co., Ltd.*)	Development of 20 MW photovoltaic project in Hejing County, Xinjiang Province (新疆和靜縣)	100%	RMB193,600,000; settled in cash
5 June 2015	蘭州太科光伏電力有限公司 (Lanzhou Taike Photovoltaic Power Co., Ltd.*)	Development of 49.5 MW photovoltaic project in Yong Deng County (永登縣) in Lanzhou, Gansu Province	100%	RMB495,000,000; settled in cash

Date of Agreement	Name of acquired companies	Nature of business of the acquired companies	Equity interests acquired	Aggregate consideration of the acquisitions and settlement of consideration
22 July 2015	深圳雄韜融資租賃有限公司 (Shenzhen XiongTao RongZi ZuLin Co., Ltd.*)	Provision of finance leases business in the PRC	55%	USD16,500,000; settled in cash
2 October 2015	阿圖什市華光能源有限公司 (Artux Huaguang Energy Co., Ltd.*) and 阿圖什市興光能源有限公司 (Artux Xingguang Energy Co., Ltd.*)	Development of two 30 MW photovoltaic project in Artux City, Xinjiang Province (新疆省阿圖什市)	100% of each of the companies	RMB534,000,000; settled in cash
9 October 2015	威縣天海光伏發電有限公司 (Weixian Tihein Photovoltaic Energy Co., Ltd.*)	Development of 30 MW photovoltaic project in Weixian County, Hebei Province (河北省威縣)	100%	RMB255,000,000; to be settled in cash
15 December 2015	貴溪市中元太陽能電力有限公司 (Guixi City Zhongyuan Solar Power Company Limited*)	Development of a 50 MW photovoltaic project in Guixi City, Jiangxi Provine (江西省貴溪市)	100%	RMB425,000,000; to be settled in cash
15 December 2015	湖洲祥暉光伏發電有限公司 (Huzhou Xianghui Photovoltaic Power Generation Company Limited*)	Development of a 100 MW photovoltaic project in Huzhou City, Zhejiang Province (浙江省湖州市)	100%	RMB860,000,000; to be settled in cash
23 December 2015	合肥流遠光伏發電投資有限公司 (Hefei Liuyuan Photovoltaic Power Generation Investment Company Limited*)	Development of a 40 MW photovoltaic project in Heifei City, Anhui Province (安徽省合肥市)	100%	RMB217,100,000; to be settled in cash
23 December 2015	六安旭強新能源工程有限公司 (Luan Xuqiang New Energy Engineering Company Limited*)	Development of a 40 MW photovoltaic project in Luan City, Anhui Province (安徽省六安市)	100%	RMB113,600,000; to be settled in cash
23 December 2015	宿州旭強新能源工程有限公司 (Suzhou Xuqiang New Energy Engineering Company Limited*)	Development of a 20 MW photovoltaic project in Suzhou City, Anhui Province (安徽省宿州市)	100%	RMB149,800,000; to be settled in cash

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring companies for each of the above acquisitions will not be varied in consequence of the above acquisitions.

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

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2015

The Directors
Kong Sun Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Zhongke Hengyuan Technology Co., Ltd. (the "Target Company") and its subsidiaries (together the "Target Group") which comprise the consolidated statements of financial position of the Target Group and the statement of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Group, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the circular issued by Kong Sun Holdings Limited (the "Company") dated 30 December 2015 (the "Circular") in connection with the proposed acquisition of 44.587% equity interest in the Target Company by the Company.

The Target Company was incorporated in Guangzhou, the People's Republic of China (the "PRC") on 25 August 2005 as a limited liability company under the Company Law of the PRC (中華人民共和國公司法) and was converted into a joint stock limited liability company on 29 December 2006.

All companies comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 36 of Section B. The statutory financial statements of these companies were prepared in accordance with the Accounting Standards for Business Enterprises (the "PRC GAAP") issued by the Ministry of Finance of the PRC. The directors of the Company confirmed that the remaining companies of the Target Group are not subject to audit during the Relevant Periods.

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the Target Group's financial performance and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	3	535,423	1,021,521	615,928	73,013	120,653
Cost of sales		(374,322)	(791,032)	(443,312)	(44,659)	(86,258)
Gross profit		161,101	230,489	172,616	28,354	34,395
Other revenue	4	11,053	16,295	54,976	27,897	3,780
Other net income	4	17,970	21,297	55,926	–	13
Distribution costs		(42,223)	(43,904)	(48,388)	(17,329)	(28,523)
Administrative and other operating expenses		(108,552)	(95,971)	(136,794)	(51,626)	(79,439)
Profit/(loss) from operations		39,349	128,206	98,336	(12,704)	(69,774)
Finance costs	5(a)	(11,000)	(26,549)	(81,830)	(40,713)	(14,076)
Share of profit/(loss) of a joint venture		–	145	(1,810)	–	(90)
Profit/(loss) before taxation	5	28,349	101,802	14,696	(53,417)	(83,940)
Income tax (expense)/credit	6(a)	(5,192)	(20,101)	(5,673)	6,499	11,551
Profit/(loss) for the year/period		23,157	81,701	9,023	(46,918)	(72,389)
Attributable to:						
Equity shareholders of the Target Company	9	23,341	80,331	9,202	(46,708)	(71,397)
Non-controlling interests		(184)	1,370	(179)	(210)	(992)
Profit/(loss) for the year/period		23,157	81,701	9,023	(46,918)	(72,389)

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section B	Year ended 31 December			Six months ended 30 June	
	Note	2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Profit/(loss) for the year/period		23,157	81,701	9,023	(46,918)	(72,389)
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the year/period		23,157	81,701	9,023	(46,918)	(72,389)
Attributable to:						
Equity shareholders of the Target Company	9	23,341	80,331	9,202	(46,708)	(71,397)
Non-controlling interests		(184)	1,370	(179)	(210)	(992)
Total comprehensive income for the year/period		23,157	81,701	9,023	(46,918)	(72,389)

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2012	2013	2014	At 30 June 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*10*	52,287	50,511	47,986	46,636
Solar power plants	*11*	50,468	342,926	112,251	159,558
Intangible assets	*12*	3,781	3,728	3,917	3,635
Goodwill	*13*	–	–	1,312	1,312
Lease prepayments	*14*	12,289	76,622	73,879	73,108
Interest in a joint venture	*16*	19,389	19,534	17,724	17,634
Deferred tax assets	*17(b)*	11,397	12,110	10,163	21,855
Available-for-sale equity securities	*18*	9,990	19,984	9,990	9,990
Trade and other receivables	*20*	98,180	80,572	53,437	40,430
		257,781	605,987	330,659	374,158
Current assets					
Inventories	*19*	92,395	92,966	155,951	200,005
Tax recoverable	*17(a)*	5,383	6,146	6,526	11,963
Trade and other receivables	*20*	644,615	1,615,388	1,072,418	1,027,884
Pledged bank deposits	*21*	49,331	22,583	29,994	87,483
Cash and cash equivalents	*23*	305,051	350,342	243,669	43,150
		1,096,775	2,087,425	1,508,558	1,370,485
Current liabilities					
Trade and other payables	*26*	619,170	1,590,257	1,000,855	1,101,081
Bank loans and other borrowings	*24*	108,000	251,170	210,425	84,138
Deferred income	*27*	2,290	683	683	843
Corporate bond payable	*25*	–	99,218	–	–
Current tax payable	*17(a)*	11,524	20,138	1,927	1,374
		740,984	1,961,466	1,213,890	1,187,436
Net current assets		355,791	125,959	294,668	183,049
Total assets less current liabilities		613,572	731,946	625,327	557,207
Non-current liabilities					
Bank loans and other borrowings	*24*	–	135,336	–	–
Deferred income	*27*	10,777	10,094	9,411	12,680
Corporate bond payable	*25*	97,980	–	–	–
		108,757	145,430	9,411	12,680
NET ASSETS		504,815	586,516	615,916	544,527

	Section B Note	At 31 December 2012	2013	2014	At 30 June 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES	*29*				
Share capital		120,000	120,000	120,000	120,000
Reserves		384,076	464,407	473,609	402,212
Total equity attributable to equity shareholders of the Target Company		504,076	584,407	593,609	522,212
Non-controlling interests		739	2,109	22,307	22,315
TOTAL EQUITY		504,815	586,516	615,916	544,527

The accompanying notes form part of the Financial Information.

4 STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	At 30 June 2015 *RMB'000*
Non-current assets					
Property, plant and equipment	*10*	11,828	7,161	6,100	6,076
Solar power plants	*11*	39,997	59,833	58,107	58,365
Intangible assets	*12*	3,776	3,724	3,753	3,466
Lease prepayments	*14*	–	63,386	62,099	61,455
Investments in subsidiaries	*15*	144,202	167,802	249,602	256,002
Deferred tax assets	*17(b)*	6,755	7,450	7,062	13,838
Available-for-sale equity securities	*18*	9,990	9,990	–	–
Trade and other receivables	*20*	91,141	75,049	52,245	39,237
		307,689	394,395	438,968	438,439
Current assets					
Inventories	*19*	59,290	73,064	101,360	137,931
Trade and other receivables	*20*	574,671	1,247,147	1,019,643	1,033,922
Pledged bank deposits	*21*	29,191	21,826	27,811	84,990
Cash and cash equivalents	*23*	271,859	321,791	182,126	14,496
		935,011	1,663,828	1,330,940	1,271,339
Current liabilities					
Trade and other payables	*26*	537,502	1,180,825	1,077,326	1,085,301
Bank loans and other borrowings	*24*	105,000	198,000	100,000	70,000
Corporate bond payable	*25*	–	99,218	–	–
Current tax payable	*17(a)*	10,689	13,313	1,423	–
		653,191	1,491,356	1,178,749	1,155,301
Net current assets		281,820	172,472	152,191	116,038
Total assets less current liabilities		589,509	566,867	591,159	554,477
Non-current liabilities					
Corporate bond payable	*25*	97,980	–	–	–
		97,980	–	–	–
NET ASSETS		491,529	566,867	591,159	554,477
CAPITAL AND RESERVES	*29*				
Share capital		120,000	120,000	120,000	120,000
Reserves		371,529	446,867	471,159	434,477
TOTAL EQUITY		491,529	566,867	591,159	554,477

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section B Note	Share capital	Share premium	PRC statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to the equity shareholders of the Target Company						
		note 29(c)	*note 29(d)(i)*	*note 29(d)(ii)*				
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012		120,000	300,544	5,786	62,805	489,135	923	490,058
Changes in equity for 2012:								
Profit/(loss) for the year		–	–	–	23,341	23,341	(184)	23,157
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	23,341	23,341	(184)	23,157
Appropriation to PRC statutory reserves	*29(d)(ii)*	–	–	3,652	(3,652)	–	–	–
Dividends to shareholders	*29(b)*	–	–	–	(8,400)	(8,400)	–	(8,400)
At 31 December 2012 and 1 January 2013		120,000	300,544	9,438	74,094	504,076	739	504,815
Changes in equity for 2013:								
Profit for the year		–	–	–	80,331	80,331	1,370	81,701
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	80,331	80,331	1,370	81,701
Appropriation to PRC statutory reserves	*29(d)(ii)*	–	–	7,590	(7,590)	–	–	–
At 31 December 2013 and 1 January 2014		120,000	300,544	17,028	146,835	584,407	2,109	586,516

		Attributable to the equity shareholders of the Target Company						
	Section B Note	Share capital *note 29(c)*	Share premium *note 29(d)(i)*	PRC statutory reserve *note 29(d)(ii)*	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014		120,000	300,544	17,028	146,835	584,407	2,109	586,516
Changes in equity for 2014:								
Profit/(loss) for the year		–	–	–	9,202	9,202	(179)	9,023
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	9,202	9,202	(179)	9,023
Acquisition of subsidiaries	*33*	–	–	–	–	–	20,377	20,377
Appropriation to PRC statutory reserves	*29(d)(ii)*	–	–	2,917	(2,917)	–	–	–
At 31 December 2014 and 1 January 2015		120,000	300,544	19,945	153,120	593,609	22,307	615,916
Changes in equity for the six months ended 30 June 2015:								
Loss for the period		–	–	–	(71,397)	(71,397)	(992)	(72,389)
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	(71,397)	(71,397)	(992)	(72,389)
Capital injection from non-controlling interest		–	–	–	–	–	1,000	1,000
At 30 June 2015		120,000	300,544	19,945	81,723	522,212	22,315	544,527
(Unaudited)								
At 1 January 2014		120,000	300,544	17,028	146,835	584,407	2,109	586,516
Change in equity for the six months ended 30 June 2014:								
Loss for the period		–	–	–	(46,708)	(46,708)	(210)	(46,918)
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	(46,708)	(46,708)	(210)	(46,918)
At 30 June 2014		120,000	300,544	17,028	100,127	537,699	1,899	539,598

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	For the year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	For the six months ended 30 June 2014 RMB'000 (unaudited)	2015 RMB'000
Operating activities						
Cash (used in)/generated from operations	23(b)	(45,414)	(77,216)	122,146	(210,770)	8,641
Tax paid		(10,089)	(12,963)	(22,317)	(21,309)	(6,132)
Net cash (used in)/generated from operating activities		(55,503)	(90,179)	99,829	(232,079)	2,509
Investing activities						
Payment for the purchase of property, plant and equipment		(13,946)	(14,194)	(5,344)	(1,619)	(2,786)
Proceeds from sale of property, plant and equipment		–	–	1,057	–	19
Proceeds from sale of intangible assets		137	–	3	–	–
Payment for purchase of intangible assets		(1,816)	(642)	(827)	(321)	(158)
Payment for construction cost in respect of solar power plants		(50,428)	(292,753)	(140,562)	(79,446)	(2,575)
Proceeds from sale of available-for-sale equity securities		–	–	16,594	–	–
Interest received		3,485	5,744	44,203	21,136	769
(Increase)/decrease in pledged bank deposits		(49,331)	26,748	(7,411)	(23,258)	(57,489)
Payment for lease prepayments		(10,243)	(65,017)	–	–	–
Proceeds from disposal of subsidiaries		56,610	42,490	137,098	–	–
Acquisition of subsidiaries		–	(100)	(44,835)	–	–
Net cash used in investing activities		(65,532)	(297,724)	(24)	(83,508)	(62,220)
Financing activities						
Proceeds from new bank loans and other borrowings		133,000	412,743	460,425	403,375	60,138
Net proceeds from corporate bond		97,500	–	–	–	–
Proceeds from loan granted by the immediate controlling party		–	180,000	–	–	–
Repayment of bank loans and other borrowings		(78,500)	(133,000)	(304,592)	(140,170)	(186,425)
Repayment of corporate bond		–	–	(100,000)	(67,500)	–
Repayment of loan granted by the immediate controlling party		–	–	(180,000)	–	–
Interest paid		(6,562)	(26,549)	(82,311)	(42,010)	(15,521)
Dividends paid to equity shareholders of the Target Company		(8,400)	–	–	–	–
Capital injection from non-controlling interest		–	–	–	–	1,000
Net cash generated from/(used in) financing activities		137,038	433,194	(206,478)	153,695	(140,808)
Net increase/(decrease) in cash and cash equivalents		16,003	45,291	(106,673)	(161,892)	(200,519)
Cash and cash equivalents at 1 January	23(a)	289,048	305,051	350,342	350,342	243,669
Cash and cash equivalents at 31 December/30 June	23(a)	305,051	350,342	243,669	188,450	43,150

The accompanying notes form part of the Financial Information.

B. NOTES TO CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised HKFRSs applicable to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2015 are set out in note 37.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of presentation

The Financial Information comprises the Target Company and its subsidiaries (together the "Target Group"). During the Relevant Periods, the Target Company has direct or indirect interests in the following subsidiaries, which are set out below:

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Proportion of equity interest attributable to the Target Group				At the date of this report	Principal activities
			At 31 December			At 30 June		
			2012	2013	2014	2015		
Inner Mongolia Zhongke Hengyuan New Energy Science and Technology Co., Ltd* ("Inner Mongolia Zhongke Hengyuan") 內蒙古中科恒源能源科技有限公司	The PRC/ 16 January 2008	RMB20,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of street lights
Wuhan Zhongke Lingyun New Energy Science and Technology Co., Ltd * ("Wuhan Zhongke") 武漢中科凌雲新能源科技有限責任公司	The PRC/ 14 November 2008	RMB20,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of street lights

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Proportion of equity interest attributable to the Target Group At 31 December 2012	2013	2014	At 30 June 2015	At the date of this report	Principal activities
Xinjiang Zhongke Hengyuan New Energy Technology Co., Ltd. ("Xinjiang Zhongke Hengyuan") 新疆中科恒源新能源科技有限公司	The PRC/ 9 September 2011	RMB10,000,000	90%	90%	90%	90%	90%	Manufacturing and sales of street lights
Yunnan Zhongke Hengyuan New Energy Science and Technology Co., Ltd* ("Yunnan Zhongke Hengyuan") 雲南中科恒源新能源科技有限公司	The PRC/ 18 January 2011	RMB50,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of street lights
Gansu Zhongke Hengyuan New Energy Technology Co., Ltd. ("Gansu Zhongke Hengyuan") 甘肅中科恒源新能源科技有限公司	The PRC/ 12 March 2013	RMB2,000,000	–	100%	100%	100%	100%	Manufacturing and sales of street lights
Zhongke Hengyuan (Hunan) New Energy Science and Technology Co., Ltd* ("Zhongke Hengyuan Hunan") 中科恒源（湖南）新能源科技有限公司	The PRC/ 18 December 2012	RMB2,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of street lights
Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd* ("Zhongke Hengyuan Yiyang") 中科恒源（益陽）新能源科技有限公司	The PRC/ 5 June 2006	RMB24,000,000	100%	100%	100%	100%	100%	Manufacturing and sales of street lights and construction of solar power plants
Beijing Henyuan Tiantai Energy Technology Co., Ltd. ("Beijing Hengyuan") 北京恒源天泰能源科技有限公司	The PRC/ 8 June 2011	RMB100,000,000	100%	100%	100%	100%	100%	Solar power generation
Zhongke Hengyuan (Yumen) New Energy Science and Technology Co., Ltd* ("Zhongke Hengyuan Yumen") 中科恒源（玉門）新能源科技有限公司	The PRC/ 26 December 2012	RMB295,000,000	100%	100%	100%	100%	100%	Solar power generation
Chifeng Hengtian Energy Science and Technology Co., Ltd.* ("Chifeng Hengtian") 赤峰市恒天能源科技有限公司	The PRC/ 20 May 2014	RMB20,000,000/ RMB1,000,000	–	–	100%	100%	100%	Solar power generation
Shufu Zhongke Hengyuan New Energy Science and Technology Co., Ltd* ("Shufu Zhongke Hengyuan") 疏附縣中科恒源能源科技有限公司	The PRC/ 27 August 2014	RMB40,000,000	–	–	75%	75%	75%	Solar power generation

Name of company	Place and date of establishment/ incorporation	Particulars of issued/paid up capital	Proportion of equity interest attributable to the Target Group At 31 December 2012	2013	2014	At 30 June 2015	At the date of this report	Principal activities
Dunhuang Tianheng New Energy Co., Ltd * ("Dunhuang Tianheng") 敦煌天恒新能源有限公司	The PRC/ 12 November 2014	RMB1,000,000/ RMB50,000	–	–	100%	100%	100%	Solar power generation
Datong Wantong New Energy Co., Ltd * ("Datong Wantong") 大同市皖銅新能源有限公司	The PRC/ 25 November 2013	RMB10,000,000/ RMB2,830,000	–	–	95%	95%	95%	Solar power generation
Jiayuguan Xiehe New Energy Co., Ltd * ("Jiayuguan Xiehe") 嘉峪關協合新能源有限公司	The PRC/ 14 May 2013	RMB2,000,000	–	–	95%	95%	95%	Solar power generation
Zhongke Huaxun Technology Development Co., Ltd. * ("Zhongke Huaxun") 中科華訊科技開發有限公司	The PRC/ 19 January 2000	RMB50,000,000/ RMB45,000,000	–	–	51%	51%	51%	Manufacturing and sales of monitoring equipment
Gansu Hongyuan Solar Electric Co., Ltd. ("Gansu Hongyuan") 甘肅宏遠光電有限責任公司	The PRC/ 16 July 2013	RMB60,000,000	–	100%	–	–	–	Solar power generation
Hami Chaoxiang New Energy Technology Co., Ltd. ("Hami Chaoxiang") 哈密朝翔新能源科技有限公司	The PRC/ 10 September 2012	RMB30,000,000	100%	100%	–	–	–	Solar power generation
Huaihua Zhongke Hengyuan New Energy Science and Technology Co., Ltd. * ("Huaihua Zhongke Hengyuan") 懷化中科恒源能源科技有限公司	The PRC/ 17 July 2008	RMB5,000,000	100%	100%	–	–	–	Manufacturing and sales of street lights and construction of solar power plant
Yumen Yonglian Technology New Energy Co., Ltd. ("Yumen Yonglian") 玉門市永聯科技新能源有限公司	The PRC/ 29 July 2013	RMB40,000,000	–	19%	–	–	–	Solar power generation
Zhongke Hengyuan (Jiuquan) New Energy Science and Technology Co., Ltd. */*** ("Zhongke Hengyuan Jiuquan") 中科恒源(酒泉)新能源科技有限公司	The PRC/ 27 February 2012	RMB48,600,000	15%	15%	15%	15%	100%	Solar power generation
Xinjiang Huaxun Technology Development Co., Ltd. */**** ("Xinjiang Huaxun") 新疆華訊科技開發有限公司*/****	The PRC/ 29 May 2014	RMB10,000,000/ RMB5,300,000	–	–	–	41.4%	41.4%	Auto-equipment installation

* These entities are all PRC limited liability companies. The English translation of the company's name is for reference only. The official names of the companies are in Chinese.

** Yumen Yonglian was a wholly-owned subsidiary of the Target Group during the period from 10 September 2013 to 18 December 2013. On 18 December 2013 and 25 October 2014, the Target Group disposed 81% and 19% equity interest in Yumen Yonglian, respectively.

*** Zhongke Hengyuan Jiuquan was a wholly-owned subsidiary of the Target Group during the period from 27 February 2012 (date of incorporation) to 21 December 2012. On 21 December 2012, the Target Group disposed 85% equity interest in Zhongke Hengyuan Jiuquan.

**** Xinjiang Huaxun Yunshang Information and Technology Company Limited (新疆華訊雲尚信息技術有限公司, "Xinjiang Huaxun Yunshang") was incorporated in the PRC on 29 May 2014. On 5 May 2015, Zhongke Huaxun had injected RMB4,300,000 capital in cash to Xinjiang Huaxun Yunshang, representing 81.1% of its equity interest. Xinjiang Huaxun Yunshang became a subsidiary of the Target Group since then. As at 30 June 2015, the Target Group had an equity interest of 51% in Zhongke Huaxun and an effective interest of 41.4% in Xinjiang Huaxun Yunshang. On 16 July 2015, Xinjiang Huaxun Yunshang changed its official name to Xinjiang Huaxun.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand expect for per share data. It is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Target Company.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in joint venture (see note 1(f)).

In the Target Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)).

(f) Joint ventures

A joint venture is an arrangement whereby the Target Group or the Target Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(g) and 1(l)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated statement of profit or loss, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Target Group's share of losses exceeds its interest in the joint venture, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method together with the Target Group's long-term interests that in substance form part of the Target Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Target Group and and joint venture are eliminated to the extent of the Target Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, the investment continues to be accounted for using the equity method.

In all other cases, when the Target Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)).

In the Target Company's statement of financial position, investments in joint venture are stated at cost less impairment losses (see note 1(l)).

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Target Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year/period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in equity securities

The Target Group's and the Target Company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 1(v)(iv).

Investments in equity securities which do not fall into the above category are classified as available-for-sale equity securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)). Dividend income from equity securities calculated using the effective interest method are recognised in the profit or loss in accordance with the policies set out in note 1(v)(iv).

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Target Group commits to purchase/sell the investments or they expire.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)). Construction in progress represents property, plant and equipment under construction and is stated at cost less impairment losses (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use.

No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Solar power plants	10 – 25 years
– Plant and machinery	5 – 10 years
– Motor vehicles	5 – 10 years
– Furniture, fixtures and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Target Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patent	5 – 10 years
– Software	5 – 10 years

Both the period and method of amortisation are reviewed annually.

During the Relevant Periods, the Target Group did not have any intangible assets with indefinite useful lives.

(k) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in joint ventures accounted for under the equity method in the Financial Information (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– solar power plants;

- intangible assets;
- lease prepayments;
- interest in a joint venture;
- goodwill; and
- investments in subsidiaries in the Target Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Target Company or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and supplied to the customers. Revenue excludes value added tax ("VAT") or other sales taxes.

(ii) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers. Revenue excludes VAT or other sales taxes and is after deduction of any trade discounts.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of the Target Group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the Relevant Periods, the Target Group's revenue and contribution to profit were mainly derived from sales of street lights and monitoring equipment, construction of solar power plants and sales of electricity, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Target Group's senior management for the purpose of resources allocation and performance assessment. In addition, the principal assets employed by the Target Group are located in the Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

2 SOURCE OF ESTIMATION UNCERTAINTY

The Target Group believes that the key sources of estimation uncertainty are as follows:

(a) Business combination and asset acquisition

Accounting for acquisitions require the Target Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and depreciation and charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible assets acquired also requires judgement.

(b) Impairment losses for bad and doubtful debts

The Target Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Target Group bases the estimates on the aging of the receivable balance, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Target Group's assets which include property, plant and equipment, solar power plants and lease prepayments, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets are not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of electricity generated, unit selling price and amount of operating costs. The Target Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as level of electricity generated, unit selling price and amount of operating costs.

(d) Recognition of deferred tax

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Target Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future year/period.

(e) Depreciation

Property, plant and equipment and solar power plants are depreciated amounted on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Target Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Target Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(f) Warranty provisions

The Target Group makes provisions under the warranties it gives on sale of its products taking into account the Target Group's recent claim experience. As the Target Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years/periods.

(g) Construction contracts

As explained in policy notes 1(n) and 1(v)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Target Group's recent experience and the nature of the construction activity undertaken by the Target Group, the Target Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 22 will not include profit which the Target Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years/periods as an adjustment to the amounts recorded to date.

3 REVENUE

The principal activities of the Target Group are manufacturing and sales of street lights and monitoring equipment, construction of solar power plants and sales of electricity.

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of street lights	265,899	599,219	171,546	18,954	30,364
Construction of solar power plants	267,648	420,761	275,888	31,798	68,621
Sales of monitoring equipment	–	–	15,247	–	12,755
Sales of electricity *(note)*	–	330	49,451	20,663	1,125
Sales of solar energy-related products	–	–	88,025	–	–
Others	1,876	1,211	15,771	1,598	7,788
	535,423	1,021,521	615,928	73,013	120,653

Note: Sales of electricity includes tariff adjustment amounted to RMB nil, RMB nil, RMB35,235,000, RMB14,833,000 and RMB nil for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

The Target Group had 3, 3, 3, 3 and 2 customers with whom transactions have exceeded 10% of the Target Group's revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively. Revenues from sales to these customers amounted to approximately RMB202,806,000, RMB788,891,000, RMB414,740,000, RMB14,588,000 and RMB21,413,000 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively. Details of concentrations of credit risk arising from these customers are set out in note 30(a).

The Target Group's business is subject to seasonal fluctuation. In general, solar power plants are located primarily in the northern part of China where, due to weather conditions, the construction work tend to commence during the second quarter of a calendar year after the approval of project funding of the customers from government authorities and the majority of the construction work normally occur during the third and fourth quarters of a calendar year. Consequently, revenue in the third and fourth quarters are generally greater than in the first and second quarters of the year.

4 OTHER REVENUE AND OTHER NET INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other revenue					
Interest income	4,409	12,125	48,854	23,545	2,928
Government grants *(note)*	6,597	4,051	5,978	4,344	753
Others	47	119	144	8	99
	11,053	16,295	54,976	27,897	3,780
Other net income					
Net (loss)/gain on sale of property, plant and equipment	(6)	(27)	–	–	13
Net gain on disposal of subsidiaries	17,976	21,324	49,326	–	–
Net gain on disposal of available-for-sale equity securities	–	–	6,600	–	–
	17,970	21,297	55,926	–	13

Note: Government grants represented cash subsidies received from various local government authorities, which are recognised in the profit or loss when the Target Group fulfilled the conditions attached to the grants.

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans and other borrowings	4,236	13,418	70,109	30,477	3,771
Interest on corporate bond payable	4,438	10,737	3,118	3,118	–
Other interest expense	2,326	2,394	8,603	7,118	10,305
	11,000	26,549	81,830	40,713	14,076

(b) Staff costs

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, wages and other benefits	41,144	58,440	71,133	35,603	53,894
Contributions to defined contribution retirement plan	3,944	4,558	6,490	2,777	5,137
	45,088	62,998	77,623	38,380	59,031

(c) Other items

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Amortisation					
– lease prepayments *(note 14)*	237	684	1,541	771	771
– intangible assets *(note 12)*	427	695	635	383	440
Depreciation					
– Property, plant and equipment *(note 10)*	6,373	9,582	8,462	3,573	4,123
– Solar power plants *(note 11)*	–	295	22,158	3,680	419
Impairment losses in respect of trade and other receivables *(note 20)*	45,977	3,143	5,824	–	315
Auditors' remuneration	494	2,396	461	28	160
Operating lease charges in respect of properties	1,719	1,735	15,756	4,867	12,605
Research and development costs	20,589	32,826	26,783	10,776	11,463
Cost of inventories *(note 19)*	185,391	439,964	135,547	16,311	34,106

Note: Cost of inventories includes RMB4,755,000, RMB5,637,000, RMB8,678,000, RMB2,931,000 and RMB5,379,000 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax ("CIT")	14,054	20,814	3,726	704	141
Deferred tax					
Origination and reversal of temporary differences *(note 17(b))*	(8,862)	(713)	1,947	(7,203)	(11,692)
	5,192	20,101	5,673	(6,499)	(11,551)

Notes:

(i) The Target Company and its subsidiaries are incorporated in the PRC and subject to CIT at the statutory rate of 25%, unless otherwise specified.

(ii) During the Relevant Periods, the Target Company and certain subsidiaries of the Target Group were qualified as High and New Technology Enterprise ("HNTE") and were entitled to a preferential CIT rate of 15%.

(iii) Income derived by an enterprise from the investment in, and the operation of, public infrastructure projects eligible for key support from the PRC Government, are eligible for a tax exemption for the first year to the third year generating operating income and a 50% deduction in CIT for the fourth year to the sixth year (the "3+3 tax holiday"). During the year ended 31 December 2014, Gansu Hongyuan and Hami Chaoxiang started to generate operating income and enjoyed tax exemption pursuant to the 3+3 tax holiday.

(b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	28,349	101,802	14,696	(53,417)	(83,940)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the tax jurisdiction concerned	2,406	19,999	(770)	(10,439)	(15,749)
Tax effect of non-deductible expenses	590	763	1,270	640	1,231
Net effect of tax losses not recognised/unused tax losses utilised	2,759	904	6,620	3,973	3,618
Tax effect of research & development super-deduction	(563)	(1,565)	(1,447)	(673)	(651)
Actual tax expense/(credit)	5,192	20,101	5,673	(6,499)	(11,551)

7 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration during the Relevant Periods is as follows:

Year ended 31 December 2012

	Directors' fees	Salaries, allowances and other benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Xiang Jun	–	228	45	–	273
Mr. Yang Nan	–	293	59	–	352
Mr. Zuo Xianghong	–	211	42	–	253
Mr. Deng Chengli	–	197	39	–	236
Non-executive director					
Mr. Lu Jianzhi	–	176	35	–	211
Independent non-executive directors					
Mrs. Dai Xiaofeng	–	60	12	–	72
Mr. Du Yuanming	–	60	12	–	72
Supervisors					
Mr. Fang Liang	–	78	16	–	94
Mr. Jiang Kaifa	–	132	26	–	158
Total	–	1,435	286	–	1,721

Year ended 31 December 2013

	Directors' fees	Salaries, allowances and other benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Xiang Jun	–	266	53	–	319
Mr. Yang Nan	–	269	54	–	323
Mr. Zuo Xianghong	–	267	53	–	320
Mr. Deng Chengli	–	260	52	–	312
Independent non-executive directors					
Mrs. Dai Xiaofeng	–	60	12	–	72
Mr. Du Yuanming	–	60	12	–	72
Supervisors					
Mr. Fang Liang	–	98	20	–	118
Mr. Jiang Kaifa	–	156	31	–	187
Total	–	1,436	287	–	1,723

Year ended 31 December 2014

	Directors' fees	Salaries, allowances and other benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Xiang Jun	–	267	53	–	320
Mr. Yang Nan	–	266	52	–	318
Mr. Zuo Xianghong	–	274	55	–	329
Mr. Deng Chengli	–	190	38	–	228
Independent non-executive directors					
Mrs. Dai Xiaofeng	–	60	12	–	72
Mr. Du Yuanming	–	60	12	–	72
Mr. Hu Xiaolong	–	60	12	–	72
Supervisors					
Mr. Fang Liang	–	138	28	–	166
Mr. Jiang Kaifa	–	154	31	–	185
Total	–	1,469	293	–	1,762

Six months ended 30 June 2014 (unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Xiang Jun	–	133	27	–	160
Mr. Yang Nan	–	130	26	–	156
Mr. Zuo Xianghong	–	137	27	–	164
Mr. Deng Chengli	–	96	19	–	115
Independent non-executive directors					
Mrs. Dai Xiaofeng	–	30	6	–	36
Mr. Du Yuanming	–	30	6	–	36
Mr. Hu Xiaolong	–	30	6	–	36
Supervisors					
Mr. Fang Liang	–	73	15	–	88
Mr. Jiang Kaifa	–	76	15	–	91
Total	–	735	147	–	882

Six months ended 30 June 2015

	Directors' fees	Salaries, allowances and other benefits in kind	Retirement scheme contributions	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Xiang Jun	–	134	27	–	161
Mr. Yang Nan	–	133	27	–	160
Mr. Zuo Xianghong	–	137	27	–	164
Mr. Deng Chengli	–	92	18	–	110
Independent non-executive directors					
Mrs. Dai Xiaofeng	–	30	6	–	36
Mr. Du Yuanming	–	30	6	–	36
Mr. Hu Xiaolong	–	20	6	–	26
Supervisors					
Mr. Fang Liang	–	64	13	–	77
Mr. Jiang Kaifa	–	80	16	–	96
Total	–	720	146	–	866

During the Relevant Periods, there were no amounts paid or payable by the Target Group to the directors or any of the highest paid individual set out in note 8 below as an inducement to join or upon joining the Target Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 4, 3, 3, 3 and 3 are directors of the Target Company for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining 1, 2, 2, 2 and 2 individuals are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, bonuses and other emoluments	407	697	669	335	336
Retirement scheme contributions	81	139	134	67	67
	488	836	803	402	403

The emoluments of the 1, 2, 2, 2 and 2 individuals with the highest emoluments for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively are within the following bands:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HK$1,000,000	1	2	2	2	2

9 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE TARGET COMPANY

The consolidated profit/(loss) attributable to equity holders of the Target Company which have been dealt with in the financial statements of the Target Company are as follow:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amount of consolidated profit/(loss) attributable to equity holders of the Target Company dealt with in the Target Company's financial statements *(Note 29(a))*	39,223	75,338	24,292	(50,130)	(36,682)

10 PROPERTY, PLANT AND EQUIPMENT

(a) The Target Group

	Buildings	Plant and machinery	Motor vehicles	Furniture fixtures and equipment	Sub-total	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2012	24,621	8,477	4,694	4,945	42,737	10,089	52,826
Additions	–	1,771	4,462	6,225	12,458	1,488	13,946
Transfers	3,305	6,572	–	72	9,949	(9,949)	–
Disposals	–	(464)	–	–	(464)	–	(464)
At 31 December 2012 and 1 January 2013	27,926	16,356	9,156	11,242	64,680	1,628	66,308
Additions	74	2,546	8,050	382	11,052	–	11,052
Disposals	–	(403)	(4,609)	(190)	(5,202)	–	(5,202)
At 31 December 2013 and 1 January 2014	28,000	18,499	12,597	11,434	70,530	1,628	72,158
Additions	–	1,657	1,397	1,963	5,017	327	5,344
Transfers	–	1,812	–	–	1,812	(1,812)	–
Acquisition from business combination	964	412	1,065	64	2,505	–	2,505
Disposals	–	(3,037)	(242)	(148)	(3,427)	–	(3,427)
At 31 December 2014 and 1 January 2015	28,964	19,343	14,817	13,313	76,437	143	76,580
Additions	–	1,070	520	30	1,620	1,166	2,786
Transfers	999	–	–	–	999	(999)	–
Disposals	–	(6)	(217)	–	(223)	–	(223)
At 30 June 2015	29,963	20,407	15,120	13,343	78,833	310	79,143

	Buildings	Plant and machinery	Motor vehicles	Furniture fixtures and equipment	Sub-total	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:							
At 1 January 2012	2,137	3,175	833	1,645	7,790	–	7,790
Charge for the year	1,306	1,329	1,421	2,317	6,373	–	6,373
Written back on disposals	–	(142)	–	–	(142)	–	(142)
At 31 December 2012 and 1 January 2013	3,443	4,362	2,254	3,962	14,021	–	14,021
Charge for the year	1,326	2,216	3,858	2,182	9,582	–	9,582
Written back on disposals	–	(185)	(1,680)	(91)	(1,956)	–	(1,956)
At 31 December 2013 and 1 January 2014	4,769	6,393	4,432	6,053	21,647	–	21,647
Acquisition from business combination	60	266	526	3	855	–	855
Charge for the year	1,347	2,123	2,174	2,818	8,462	–	8,462
Written back on disposals	–	(2,224)	(56)	(90)	(2,370)	–	(2,370)
At 31 December 2014 and 1 January 2015	6,176	6,558	7,076	8,784	28,594	–	28,594
Charge for the period	710	1,332	1,280	801	4,123	–	4,123
Written back on disposals	–	(4)	(206)	–	(210)	–	(210)
At 30 June 2015	6,886	7,886	8,150	9,585	32,507	–	32,507
Net book value:							
At 31 December 2012	24,483	11,994	6,902	7,280	50,659	1,628	52,287
At 31 December 2013	23,231	12,106	8,165	5,381	48,883	1,628	50,511
At 31 December 2014	22,788	12,785	7,741	4,529	47,843	143	47,986
At 30 June 2015	23,077	12,521	6,970	3,758	46,326	310	46,636

(b) The Target Company

	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture fixtures and equipment RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2012	1,910	2,027	4,147	8,084	–	8,084
Additions	317	2,803	5,957	9,077	–	9,077
At 31 December 2012 and 1 January 2013	2,227	4,830	10,104	17,161	–	17,161
Additions	1,355	–	107	1,462	–	1,462
Disposals	(379)	(4,598)	(31)	(5,008)	–	(5,008)
At 31 December 2013 and 1 January 2014	3,203	232	10,180	13,615	–	13,615
Additions	901	–	1,233	2,134	–	2,134
Disposals	(3)	–	–	(3)	–	(3)
At 31 December 2014 and 1 January 2015	4,101	232	11,413	15,746	–	15,746
Additions	649	386	4	1,039	–	1,039
At 30 June 2015	4,750	618	11,417	16,785	–	16,785
Accumulated depreciation:						
At 1 January 2012	609	504	1,489	2,602	–	2,602
Charge for the year	164	700	1,867	2,731	–	2,731
At 31 December 2012 and 1 January 2013	773	1,204	3,356	5,333	–	5,333
Charge for the year	498	538	1,958	2,994	–	2,994
Written back on disposals	(178)	(1,680)	(15)	(1,873)	–	(1,873)
At 31 December 2013 and 1 January 2014	1,093	62	5,299	6,454	–	6,454
Charge for the year	579	46	2,568	3,193	–	3,193
Written back on disposals	(1)	–	–	(1)	–	(1)
At 31 December 2014 and 1 January 2015	1,671	108	7,867	9,646	–	9,646
Charge for the period	373	33	657	1,063	–	1,063
At 30 June 2015	2,044	141	8,524	10,709	–	10,709
Net Book Value:						
At 31 December 2012	1,454	3,626	6,748	11,828	–	11,828
At 31 December 2013	2,110	170	4,881	7,161	–	7,161
At 31 December 2014	2,430	124	3,546	6,100	–	6,100
At 30 June 2015	2,706	477	2,893	6,076	–	6,076

The buildings held for own use are located in PRC under medium-term leases.

For the Target Group, certain bank loans and other borrowings were secured by property, plant and equipment with carrying amounts of RMB nil, RMB25,733,000, RMB9,646,000 and RMB nil at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively (note 24).

11 SOLAR POWER PLANTS

(a) The Target Group

	Solar power plants	Solar power plants under development	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2012	–	40	40
Additions	–	50,428	50,428
At 31 December 2012 and 1 January 2013	–	50,468	50,468
Additions	–	292,753	292,753
Transfers	8,609	(8,609)	–
At 31 December 2013 and 1 January 2014	8,609	334,612	343,221
Additions	–	179,293	179,293
Transfers	413,720	(413,720)	–
Disposals	(407,825)	(1,551)	(409,376)
At 31 December 2014 and 1 January 2015	14,504	98,634	113,138
Additions	–	47,726	47,726
At 30 June 2015	14,504	146,360	160,864

	Solar power plants	Solar power plants under development	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated depreciation:			
At 1 January 2012 and 31 December 2012 and 1 January 2013	–	–	–
Charge for the year	295	–	295
At 31 December 2013 and 1 January 2014	295	–	295
Charge for the year	22,158	–	22,158
Written back on disposals	(21,566)	–	(21,566)
At 31 December 2014 and 1 January 2015	887	–	887
Charge for the period	419	–	419
At 30 June 2015	1,306	–	1,306
Net book value:			
At 31 December 2012	–	50,468	50,468
At 31 December 2013	8,314	334,612	342,926
At 31 December 2014	13,617	98,634	112,251
At 30 June 2015	13,198	146,360	159,558

(b) The Target Company

	Solar power plants	Solar power plants under development	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2012	–	40	40
Additions	–	39,957	39,957
At 31 December 2012 and 1 January 2013	–	39,997	39,997
Additions	–	20,131	20,131
Transfers	8,609	(8,609)	–
At 31 December 2013 and 1 January 2014	8,609	51,519	60,128
Additions	–	417	417
Disposals	–	(1,551)	(1,551)
At 31 December 2014 and 1 January 2015	8,609	50,385	58,994
Additions	–	554	554
At 30 June 2015	8,609	50,939	59,548
Accumulated depreciation:			
At 1 January 2012 and 31 December 2012 and 1 January 2013	–	–	–
Charge for the year	295	–	295
At 31 December 2013 and 1 January 2014	295	–	295
Charge for the year	592	–	592
At 31 December 2014 and 1 January 2015	887	–	887
Charge for the period	296	–	296
At 30 June 2015	1,183	–	1,183
Net book value:			
At 31 December 2012	–	39,997	39,997
At 31 December 2013	8,314	51,519	59,833
At 31 December 2014	7,722	50,385	58,107
At 30 June 2015	7,426	50,939	58,365

For the Target Group, solar power plants with carrying values of approximately RMB169,965,000 were pledged as security bank loans and borrowings (see note 24) as at 31 December 2013. No solar power plants were pledged as security bank loans and other borrowings at 31 December 2012 and 2014 and 30 June 2015.

12 INTANGIBLE ASSETS

(a) The Target Group

	Software	**Patent**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2012	–	2,876	2,876
Additions	1,696	120	1,816
Disposals	(47)	(120)	(167)
At 31 December 2012 and 1 January 2013	1,649	2,876	4,525
Additions	642	–	642
At 31 December 2013 and 1 January 2014	2,291	2,876	5,167
Additions	827	–	827
Disposals	(7)	–	(7)
At 31 December 2014 and 1 January 2015	3,111	2,876	5,987
Additions	158	–	158
At 30 June 2015	3,269	2,876	6,145
Accumulated amortisation:			
At 1 January 2012	–	347	347
Charge for the year	130	297	427
Written back on disposals	(18)	(12)	(30)
At 31 December 2012 and 1 January 2013	112	632	744
Charge for the year	398	297	695
Balance at 31 December 2013 and 1 January 2014	510	929	1,439
Charge for the year	503	132	635
Written back on disposals	(4)	–	(4)
At 31 December 2014 and 1 January 2015	1,009	1,061	2,070
Charge for the period	291	149	440
At 30 June 2015	1,300	1,210	2,510

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Net book value:			
At 31 December 2012	1,537	2,244	3,781
At 31 December 2013	1,781	1,947	3,728
At 31 December 2014	2,102	1,815	3,917
At 30 June 2015	1,969	1,666	3,635

(b) The Target Company

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2012	–	2,876	2,876
Additions	1,647	120	1,767
Disposals	(4)	(120)	(124)
At 31 December 2012 and 1 January 2013	1,643	2,876	4,519
Additions	642	–	642
At 31 December 2013 and 1 January 2014	2,285	2,876	5,161
Additions	658	–	658
At 31 December 2014 and 1 January 2015	2,943	2,876	5,819
Additions	140	–	140
At 30 June 2015	3,083	2,876	5,959

	Software	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated amortisation:			
At 1 January 2012	–	347	347
Charge for the year	128	297	425
Written back on disposals	(17)	(12)	(29)
At 31 December 2012 and 1 January 2013	111	632	743
Charge for the year	397	297	694
At 31 December 2013 and 1 January 2014	508	929	1,437
Charge for the year	497	132	629
At 31 December 2014 and 1 January 2015	1,005	1,061	2,066
Charge for the period	278	149	427
At 30 June 2015	1,283	1,210	2,493
Net book value:			
At 31 December 2012	1,532	2,244	3,776
At 31 December 2013	1,777	1,947	3,724
At 31 December 2014	1,938	1,815	3,753
At 30 June 2015	1,800	1,666	3,466

13 GOODWILL

Goodwill is allocated to the Target Group's monitoring system cash-generating units (CGU), which was acquired in June 2014.

The recoverable amount of the CGU at 31 December 2014 is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 11.5%. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

No impairment loss on goodwill has been recognised during the year ended 31 December 2014 in respect of the Target Group's monitoring system business.

14 LEASE PREPAYMENTS

(a) The Target Group

	RMB'000
Cost:	
At 1 January 2012	2,482
Additions	10,243
At 31 December 2012 and 1 January 2013	12,725
Additions	65,017
At 31 December 2013 and 1 January 2014	77,742
Disposals	(1,262)
At 31 December 2014 and 1 January 2015 and 30 June 2015	76,480
Accumulated amortisation:	
At 1 January 2012	199
Amortisation for the year	237
At 31 December 2012 and 1 January 2013	436
Amortisation for the year	684
At 31 December 2013 and 1 January 2014	1,120
Amortisation for the year	1,541
Written back on disposals	(60)
At 31 December 2014 and 1 January 2015	2,601
Amortisation for the period	771
At 30 June 2015	3,372
Net book value:	
At 31 December 2012	12,289
At 31 December 2013	76,622
At 31 December 2014	73,879
At 30 June 2015	73,108

(b) The Target Company

	RMB'000
Cost:	
At 1 January 2012 and 31 December 2012 and 1 January 2013	–
Additions	63,815
At 31 December 2013 and 1 January 2014 and 1 January 2015 and 30 June 2015	63,815
Accumulated amortisation:	
At 1 January 2012 and 31 December 2012 and 1 January 2013	–
Amortisation for the year	429
At 31 December 2013 and 1 January 2014	429
Amortisation for the year	1,287
At 31 December 2014 and 1 January 2015	1,716
Amortisation for the period	644
At 30 June 2015	2,360
Net book value:	
At 31 December 2012	–
At 31 December 2013	63,386
At 31 December 2014	62,099
At 30 June 2015	61,455

Interests in leasehold land represent prepayments of land use rights premium to the PRC authorities. The leasehold land is located in PRC and the Target Group/Target Company is granted land use rights for a period of 50 years.

For the Target Group, the above carrying amounts include current portion of the lease prepayments of RMB254,000, RMB1,541,000, RMB1,541,000 and RMB1,541,000 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

For the Target Company, the above carrying amounts include current portion of the lease prepayments of RMB nil, RMB1,287,000, RMB1,287,000 and RMB1,541,000 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

For the Target Group, certain bank loans and other borrowings were secured by lease prepayments with carrying amounts of RMB nil, RMB12,034,000, RMB62,099,000 and RMB nil at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively (note 24).

15 INVESTMENTS IN SUBSIDIARIES

The list in note 1(b) contains the particulars of subsidiaries of the Target Group at the end of the Relevant Periods. The class of shares held is ordinary unless otherwise stated.

The following tables list out the information relating to the subsidiaries of the Target Group which have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

31 December 2012:

	Xinjiang Zhongke Hengyuan 2012 *RMB'000*
NCI percentage	10%
Current assets	11,572
Non-current assets	1,337
Current liabilities	(5,519)
Non-current liabilities	–
Net assets	7,390
Carrying amount of NCI	739
Revenue	941
Loss for the year	(1,837)
Other comprehensive income	–
Total comprehensive income	(1,837)
Loss allocated to NCI	(184)
Other comprehensive income allocated to NCI	–
Cash flows used in operating activities	(2,210)
Cash flows used in financing activities	(835)
Net decrease in cash and cash equivalents	(3,045)

31 December 2013:

	Xinjiang Zhongke Hengyuan 2013 *RMB'000*
NCI percentage	10%
Current assets	33,629
Non-current assets	7,636
Current liabilities	(20,174)
Non-current liabilities	–
Net assets	21,091
Carrying amount of NCI	2,109
Revenue	56,631
Profit for the year	13,701
Other comprehensive income	–
Total comprehensive income	13,701
Profit allocated to NCI	1,370
Other comprehensive income allocated to NCI	–
Cash flows generated from operating activities	1,320
Cash flows used in financing activities	(4,960)
Net decrease in cash and cash equivalents	(3,640)

31 December 2014:

	Shufu Zhongke Hengyuan	Datong Wantong	Jiayuguan Xiehe	Zhongke Huaxun	Xinjiang Zhongke Hengyuan	Total
NCI percentage	25%	5%	5%	49%	10%	
Current assets	5	821	11	61,737	43,083	105,657
Non-current assets	17	7,560	31,191	3,197	5,500	47,465
Current liabilities	(42)	(5,608)	(13,852)	(25,485)	(28,835)	(73,822)
Non-current liabilities	–	–	–	–	–	–
Net assets	(20)	2,773	17,350	39,449	19,748	79,300
Carrying amount of NCI	(5)	139	868	19,330	1,975	22,307
Revenue	–	–	–	15,068	7,130	22,198
Loss for the year	(20)	(60)	–	(75)	(1,343)	(1,498)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	(20)	(60)	–	(75)	(1,343)	(1,498)
Loss allocated to NCI	(5)	(3)	–	(37)	(134)	(179)
Dividend paid to NCI	–	–	–	–	–	–
Other comprehensive income allocated to NCI	–	–	–	–	–	–
Cash flows generated from operating activities	5	5,232	8,038	3,245	2,592	19,112
Cash flows used in investing activities	–	(7,562)	(8,118)	(37)	(227)	(15,944)
Cash flows generated from/(used in) financing activities	–	2,330	–	–	(877)	1,453
Net increase/(decrease) in cash and cash equivalents	5	–	(80)	3,208	1,488	4,621

30 June 2015:

	Shufu Zhongke Hengyuan	Datong Wantong	Jiayuguan Xiehe	Zhongke Huaxun	Xinjiang Zhongke Hengyuan	Xinjiang Huaxun	Total
NCI percentage	25%	5%	5%	49%	10%	58.6%	
Current assets	5	892	2,317	55,940	25,173	12,112	96,439
Non-current assets	17	50,613	31,205	6,123	1,894	157	90,009
Current liabilities	(42)	(48,733)	(16,172)	(21,832)	(18,251)	(11,044)	(116,074)
Non-current liabilities	–	–	–	–	–	–	–
Net assets	(20)	2,772	17,350	40,231	8,816	1,225	70,374
Carrying amount of NCI	(5)	139	868	19,713	882	718	22,315
Revenue	–	–	–	12,750	3,867	–	16,617
(Loss)/profit for the period	–	(1)	–	782	(10,932)	(482)	(10,633)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	(1)	–	782	(10,932)	(482)	(10,633)
Profit/(Loss) allocated to NCI	–	–	–	383	(1,093)	(282)	(992)
Dividend paid to NCI	–	–	–	–	–	–	–
Other comprehensive income allocated to NCI	–	–	–	–	–	–	–
Cash flows generated from/(used in) operating activities	–	146	2,303	(4,727)	12,916	1,884	12,522
Cash flows (used in)/generated from investing activities	–	(60)	–	(4,300)	9	4,275	(76)
Cash flows generated from/(used in) financing activities	–	–	–	8,000	(12,824)	–	(4,824)
Net increase/(decrease) in cash and cash equivalents	–	86	2,303	(1,027)	101	6,159	7,622

16 INTEREST IN A JOINT VENTURE

	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	19,389	19,534	17,724	17,634

Details of the Target Group's interest in a joint venture, which is accounted for using equity method in the Financial Information, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Target Group's effective interest	Held by the Target Company	Held by a subsidiary	Principal activities
Yunnan Electric Investment Zhongke Photovoltaic Technology Co. Ltd.* ("Yunnan Electric Investment Zhongke Photovoltaic") ("雲南電投中科光伏科技有限公司")	Incorporated	The PRC	RMB 45,000,000	49%	–	49%	Research & development and consulting

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

Yunan Electric Investment Zhongke Photovoltaic, the only joint venture in which the Target Group participates, is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of Yunnan Electric Investment Zhongke Photovoltaic adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the Financial Information, are disclosed below:

	At 31 December 2012	At 31 December 2013	At 31 December 2014	At 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of Yunnan Electric Investment Zhongke Photovoltaic				
Current assets	41,482	26,889	27,855	28,106
Non-current assets	13,998	28,888	24,228	23,793
Current liabilities	(666)	(666)	(666)	(666)
Non-current liabilities	(9,814)	(9,814)	(9,814)	(9,814)
Equity	45,000	45,297	41,603	41,419
Included in the above assets and liabilities:				
Cash and cash equivalents	39,486	24,893	25,859	26,109
Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(9,814)	(9,814)	(9,814)	(9,814)
Revenue	–	–	–	–
Profit/(loss) from continuing operations	–	297	(3,694)	(184)
Total comprehensive income	–	297	(3,694)	(184)

	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in the above profit:				
Depreciation and amortisation	–	–	–	–
Interest income	–	–	–	250
Interest expense	–	–	–	–
Income tax expense	–	–	–	–
Reconciled to the Target Group's interest in Yunnan Electric Investment Zhongke Photovoltaic				
Gross amounts of net assets of Yunnan Electric Investment Zhongke Photovoltaic	45,000	45,297	41,603	41,419
Less: Unrealised profit on transactions with the Target Group	(5,431)	(5,431)	(5,431)	(5,431)
	39,569	39,866	36,172	35,988
Target Group's effective interest	49%	49%	49%	49%
Target Group's share of net assets of Yunnan Electric Investment Zhongke Photovoltaic	19,389	19,534	17,724	17,634
Carrying amount in the Financial Information	19,389	19,534	17,724	17,634

17 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC CIT	(6,141)	(13,992)	4,599	10,589
Representing:				
Tax recoverable	5,383	6,146	6,526	11,963
Tax payable	(11,524)	(20,138)	(1,927)	(1,374)
	(6,141)	(13,992)	4,599	10,589

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC CIT	(10,689)	(13,313)	(1,423)	–

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:

(i) The Target Group:

	Provision for trade and other receivables	Deferred income	Provision for product warranties	Unrealised profit arising from intra-group transactions	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	1,271	825	351	88	–	2,535
Credited to profit or loss	7,161	1,545	151	5	–	8,862
At 31 December 2012 and 1 January 2013	8,432	2,370	502	93	–	11,397
Credited/(charged) to profit or loss	431	(116)	362	36	–	713
At 31 December 2013 and 1 January 2014	8,863	2,254	864	129	–	12,110
Credited/(charged) to profit or loss	50	(1,676)	(192)	(129)	–	(1,947)
At 31 December 2014 and 1 January 2015	8,913	578	672	–	–	10,163
(Charged)/credited to profit or loss	(296)	(42)	32	–	11,998	11,692
At 30 June 2015	8,617	536	704	–	11,998	21,855

(ii) The Target Company:

	Provision for trade and other receivables	Provision for product warranties	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	629	182	–	811
Credited to profit or loss	5,790	154	–	5,944
At 31 December 2012 and 1 January 2013	6,419	336	–	6,755
Credited to profit or loss	389	306	–	695
At 31 December 2013 and 1 January 2014	6,808	642	–	7,450
Charged to profit or loss	(303)	(85)	–	(388)
At 31 December 2014 and 1 January 2015	6,505	557	–	7,062
(Charged)/credited to profit or loss	(12)	15	6,773	6,776
At 30 June 2015	6,493	572	6,773	13,838

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(t), the Target Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB12,902,000, RMB17,037,000, RMB39,672,000 and RMB56,502,000 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses are losses that can be carried forward for 5 years from the year in which the respective loss arose.

18 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity securities:				
– unlisted	9,990	19,984	9,990	9,990

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity securities:				
– unlisted	9,990	9,990	–	–

19 INVENTORIES

Inventories in the consolidated statements of financial position comprise:

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	28,445	24,292	57,877	33,549
Work in progress	489	32	401	1,177
Finished goods	63,461	68,642	97,673	165,279
	92,395	92,966	155,951	200,005

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	15,166	15,992	46,884	23,306
Finished goods	44,124	57,072	54,476	114,625
	59,290	73,064	101,360	137,931

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold	185,391	439,964	135,547	16,311	34,106

20 TRADE AND OTHER RECEIVABLES

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors				
– third parties	629,103	1,122,750	550,564	484,028
– related parties *(note 32(d))*	636	636	636	636
Bills receivable	–	244,500	42,868	7,953
Trade debtors and bills receivable	629,739	1,367,886	594,068	492,617
Less: allowance for doubtful debts	(53,582)	(56,725)	(62,549)	(62,864)
	576,157	1,311,161	531,519	429,753
Other deposits and prepayments and receivables	95,069	345,992	415,334	427,761
Amounts due from related parties *(note 32(d))*	1,100	1,100	1,100	6,100
Gross amount due from customers for contract work *(note 22)*	70,469	37,707	177,902	204,700
Less: Non-current trade and other receivables	(98,180)	(80,572)	(53,437)	(40,430)
	644,615	1,615,388	1,072,418	1,027,884

	The Target Company			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors				
– third parties	482,982	914,940	402,230	380,580
– subsidiaries	69,253	73,804	6,354	5,803
– other related parties	636	636	636	636
Bills receivable	–	100	25,300	6,000
Trade debtors and bills receivable	552,871	989,480	434,520	393,019
Less: allowance for doubtful debts	(42,170)	(45,313)	(51,064)	(51,064)
	510,701	944,167	383,456	341,955
Other deposits and prepayments and receivables	72,187	247,302	322,477	342,591
Amounts due from subsidiaries	16,825	125,117	222,522	243,283
Amounts due from other related parties	1,100	1,100	1,100	6,100
Gross amount due from customers for contract work *(note 22)*	64,999	4,510	142,333	139,230
Less: Non-current trade and other receivables	(91,141)	(75,049)	(52,245)	(39,237)
	574,671	1,247,147	1,019,643	1,033,922

For the Target Group and the Target Company, certain bank loans and other borrowings were secured by trade and other receivables with carrying amounts of RMB nil, RMB245,523,000, RMB71,058,000 and RMB71,058,000 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively (note 24).

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	452,585	1,209,762	453,875	349,888
1 to 2 years	95,346	61,583	52,291	14,925
2 to 3 years	25,872	27,416	9,309	41,224
Over 3 years	2,354	12,400	16,044	23,716
	576,157	1,311,161	531,519	429,753

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	437,501	874,701	330,141	276,976
1 to 2 years	47,839	43,369	30,536	14,819
2 to 3 years	23,326	14,391	7,313	28,622
Over 3 years	2,035	11,706	15,466	21,538
	510,701	944,167	383,456	341,955

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Target Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(l)(i)).

The movement in the allowance for doubtful debts during the Relevant Periods is as follows:

	The Target Group			
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	7,605	53,582	56,725	62,549
Impairment loss recognised *(note 5)*	45,977	3,143	5,824	315
At 31 December/30 June	53,582	56,725	62,549	62,864

	The Target Company			
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	3,823	42,170	45,313	51,064
Impairment loss recognised	38,347	3,143	5,751	–
At 31 December/30 June	42,170	45,313	51,064	51,064

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Group's trade debtors and bills receivable of RMB53,582,000, RMB56,725,000, RMB62,549,000 and RMB62,864,000 were individually determined to be impaired.

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Company's trade debtors and bills receivable of RMB42,170,000, RMB45,313,000, RMB51,064,000 and RMB51,064,000 were individually determined to be impaired.

The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not probable to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Target Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired at 31 December 2012, 2013 and 2014 and 30 June 2015 are as follows:

	The Target Group			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	374,684	1,114,285	377,554	306,462
Less than 3 month past due	64,740	71,467	32,978	7,974
Over 3 less than 6 months past due	40,697	48,973	13,196	29,578
Over 6 months less than 1 year past due	59,303	40,462	48,000	10,735
Over 1 less than 2 years past due	16,404	21,503	39,451	34,293
More than 2 years past due	20,329	14,471	20,340	40,711
	576,157	1,311,161	531,519	429,753

	The Target Company			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	312,389	826,668	304,649	279,909
Less than 3 month past due	63,681	29,071	24,780	6,485
Over 3 less than 6 months past due	40,317	22,050	10,859	25,825
Over 6 months less than 1 year past due	59,278	40,161	11,384	8,309
Over 1 less than 2 years past due	15,038	15,602	13,933	9,844
More than 2 years past due	19,998	10,615	17,851	11,583
	510,701	944,167	383,456	341,955

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

At 31 December 2012, 2013, 2014 and 30 June 2015, receivables that were past due but not impaired relate to customers that have good track records with the Target Group and the Target Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 PLEDGED BANK DEPOSITS

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged for				
– bank loans	25,000	–	1,500	2,250
– issuance of bank acceptance bills	24,331	22,583	28,494	85,233
Pledged bank deposits	49,331	22,583	29,994	87,483

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged for				
– bank loans	25,000	–	–	–
– issuance of bank acceptance bills	4,191	21,826	27,811	84,990
Pledged bank deposits	29,191	21,826	27,811	84,990

At the end of reporting period, bank deposits have been mainly pledged as security for bank loans (see note 24) and issuance of bank acceptance bills. The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

22 CONSTRUCTION CONTRACTS

(a) The Target Group

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2012, 2013 and 2014 and 30 June 2015 are RMB224,765,000, RMB176,250,000, RMB 346,125,000 and RMB341,221,000, respectively.

The gross amount due from customers for contract work at 31 December 2012, 2013 and 2014 and 30 June 2015 that are expected to be recovered within one year.

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions from customers, recorded with "Trade debtors and bills receivable" at 31 December 2012, 2013 and 2014 and 30 June 2015 are RMB15,726,000, RMB10,236,000, RMB19,312,000 and RMB19,837,000, respectively. The amount of those retentions at 31 December 2012, 2013 and 2014 and 30 June 2015 that are expected to be recovered after more than one year are RMB15,726,000, RMB10,236,000, RMB19,312,000 and RMB19,837,000, respectively.

(b) The Target Company

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2012, 2013 and 2014 and 30 June 2015 are RMB64,999,000, RMB4,510,000, RMB142,333,000 and RMB139,148,000, respectively.

The gross amount due from customers for contract work at 31 December 2012, 2013 and 2014 and 30 June 2015 that are expected to be recovered within one year.

In respect of construction contracts in progress at the end of the reporting period, the amount of retentions from customers, recorded with "Trade debtors and bills receivable" at 31 December 2012, 2013 and 2014 and 30 June 2015 are RMB12,581,000, RMB7,882,000, RMB13,132,000 and RMB12,505,000, respectively. The amount of those retentions at 31 December 2012, 2013 and 2014 and 30 June 2015 that are expected to be recovered after more than one year are RMB12,581,000, RMB7,882,000, RMB13,132,000 and RMB12,505,000, respectively.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	305,051	350,342	243,669	43,150

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	271,859	321,791	182,126	14,496

As at 31 December 2012, 2013 and 2014 and 30 June 2015, all the cash and cash equivalents were placed with banks in the mainland China. Remittance of funds out of the mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit/(loss) before taxation to cash (used in)/generated from operations:

	Section B Note	For the year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	For the six months ended 30 June 2014 RMB'000 (unaudited)	2015 RMB'000
Profit/(loss) before taxation		28,349	101,802	14,696	(53,417)	(83,940)
Adjustments for:						
Depreciation of property, plant and equipment	5(c)	6,373	9,582	8,462	3,573	4,123
Depreciation of solar power plants	5(c)	–	295	22,158	3,680	419
Amortisation of intangible assets	5(c)	427	695	635	383	440
Amortisation of lease prepayments	5(c)	237	684	1,541	771	771
Impairment of trade and other receivables	5(c)	45,977	3,143	5,824	–	315
Finance costs	5(a)	11,000	26,549	81,830	40,713	14,076
Interest income	4	(4,409)	(12,125)	(48,854)	(23,545)	(2,928)
Net loss/(gain) on sale of property, plant and equipment	4	6	27	–	–	(13)
Net gain on disposal of available-for-sale equity securities	4	–	–	(6,600)	–	–
Net gain on disposal of subsidiaries	4	(17,976)	(21,324)	(49,326)	–	–
Share of (profit)/loss of a joint venture	16	–	(145)	1,810	–	90
Changes in working capital:						
Decrease/(increase) in inventories		59,041	10,877	(61,089)	(32,926)	(34,902)
(Increase)/decrease in trade and other receivables		(363,686)	(1,014,149)	472,897	156,638	48,301
Increase/(decrease) in trade and other payables		183,580	813,231	(321,155)	(306,206)	58,460
Increase/(decrease) in deferred income		5,667	3,642	(683)	(434)	3,429
Cash (used in)/generated from operations		(45,414)	(77,216)	122,146	(210,770)	8,641

24 BANK LOANS AND OTHER BORROWINGS

As of the end of each reporting period, the analysis of bank loans and other borrowings was as follows:

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Secured				
– bank loans	80,000	198,000	101,425	72,138
– current portion of other long-term borrowings	–	16,000	–	–
Unsecured				
– bank loans	28,000	37,170	109,000	12,000
	108,000	251,170	210,425	84,138
Non-current				
Secured				
– other borrowings	–	151,336	–	–
Less: Current portion of other long-term borrowings	–	(16,000)	–	–
	–	135,336	–	–

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Secured				
– bank loans	80,000	198,000	100,000	70,000
Unsecured				
– bank loans	25,000	–	–	–
	105,000	198,000	100,000	70,000

At the end of each reporting period, bank loans and other borrowings were repayable as follows:

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	108,000	251,170	210,425	84,138
After 1 year but within 2 years	–	14,839	–	–
After 2 year but within 5 years	–	45,943	–	–
Over 5 years	–	74,554	–	–
	108,000	386,506	210,425	84,138

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	105,000	198,000	100,000	70,000

For the Target Group, bank loans bear interest ranging from 6.0% to 7.8%, 6.0% to 7.2%, 5.6% to 7.8%, 6% to 7.2% and 5.6% to 7.8% per annum for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, respectively. Other borrowings bear interest at 7.6% per annum for the year ended 31 December 2013.

For the Target Company, bank loans bear interest ranging from 6.0% to 7.8%, 6.0% to 7.2%, 5.6% to 7.8%, 6.9% and 6.9% to 7.8% per annum for the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, respectively.

The bank loans and other borrowings were secured by the following assets:

		The Target Group			
	Section B	At 31 December			At 30 June
	Note	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	*10*	–	25,733	9,646	–
Solar power plants	*11*	–	169,965	–	–
Lease prepayments	*14*	–	12,034	62,099	–
Trade and other receivables	*20*	–	245,523	71,058	71,058
Pledged bank deposits	*21*	25,000	–	1,500	2,250
		25,000	453,255	144,303	73,308

		The Target Company			
	Section B	At 31 December			At 30 June
	Note	**2012**	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	*20*	–	245,523	71,058	71,058
Pledged bank deposits	*21*	25,000	–	–	–
		25,000	245,523	71,058	71,058

25 CORPORATE BOND PAYABLE

On 26 July 2012, the Target Company issued a corporate bond amounting to RMB100,000,000, which is secured by certain of the Target Group's trade receivables, bears interest at 9.5% per annum and is repayable on 26 July 2014. The corporate bond is, at the option of the bondholder, redeemable at its par value on 26 January 2014. The net proceed from the issuance of corporate bond was RMB97,500,000, after deducting transaction costs of RMB2,500,000.

On 26 January 2014, certain bondholders exercised the early redemption right to redeem corporate bond of RMB67,500,000 at its par value. The remaining balance of RMB 32,500,000 was repaid on 26 July 2014.

26 TRADE AND OTHER PAYABLES

	The Target Group			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	320,396	808,537	466,392	304,836
Bills payable	96,790	312,077	363,343	466,082
Trade and bills payable	417,186	1,120,614	829,735	770,918
Receipts in advance	173,577	204,197	104,642	211,816
Other payables and accruals	28,407	81,863	65,033	118,347
Amounts due to related parties *(note 32(b))*	–	183,583	1,445	–
	619,170	1,590,257	1,000,855	1,101,081

	The Target Company			
	At 31 December			At 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	248,117	429,435	405,936	271,435
Bills payable	43,052	189,367	303,343	466,082
Trade and bills payable	291,169	618,802	709,279	737,517
Receipts in advance	170,538	198,833	85,654	192,809
Other payables and accruals	24,023	57,732	42,015	83,575
Amounts due to subsidiaries	51,772	121,875	238,933	71,400
Amounts due to related parties	–	183,583	1,445	–
	537,502	1,180,825	1,077,326	1,085,301

All of the trade and other payables at 31 December 2012, 2013 and 2014 and 30 June 2015 are expected to be settled or recognised as income within one year or are repayable on demand.

At 31 December 2012, 2013 and 2014 and 30 June 2015, amounts due to related parties were unsecured, interest-free and have no fixed terms of repayment, except for the loan from Beijing Modasi Investment Co., Ltd. ("Beijing Modasi"), the immediate controlling party of the Target Company, of RMB180,000,000 which is unsecured, bears interest at 10.75% per annum and is repayable within 1 year. The loan was repaid in 2014 and the related interest payable was repaid in February 2015.

An ageing analysis of the trade and bills payables (which are included in trade and other payables) based on the invoice date is as follows:

	The Target Group			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	404,989	1,081,588	764,887	731,040
More than 1 year but within 2 years	9,898	34,404	49,140	37,936
More than 2 years but within 3 years	2,253	3,717	12,715	1,924
More than 3 years	46	905	2,993	18
	417,186	1,120,614	829,735	770,918

	The Target Company			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	287,064	585,291	647,652	708,577
More than 1 year but within 2 years	3,886	31,213	48,276	27,124
More than 2 years but within 3 years	219	2,079	11,525	1,816
More than 3 years	–	219	1,826	–
	291,169	618,802	709,279	737,517

27 DEFERRED INCOME

	The Target Group Government grant
	RMB'000
At 1 January 2012	7,400
Additions during the year	6,631
Amortisation credited to profit or loss	(964)
At 31 December 2012 and 1 January 2013	13,067
Amortisation credited to profit or loss	(2,290)
At 31 December 2013 and 1 January 2014	10,777
Amortisation credited to profit or loss	(683)
At 31 December 2014 and 1 January 2015	10,094
Additions during the period	3,850
Amortisation credited to profit or loss	(421)
At 30 June 2015	13,523

The deferred income at 31 December 2012, 2013, 2014 and 30 June 2015 represented unamortised government grants. There is no deferred income recognised by the Target Company during the Relevant Periods.

28 EMPLOYEE RETIREMENT BENEFITS

As stipulated by the rules and regulations in the PRC, the Target Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Target Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Target Group with respect to the retirement benefit plan is to make the specified contributions.

During the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, the total retirement benefit cost charged to the consolidated statements of profit or loss amounted to approximately RMB3,944,000, RMB4,558,000, RMB6,490,000, RMB2,777,000 and RMB5,137,000, respectively.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the year/period during the Relevant Periods are set out below:

	Share capital	Share Premium	PRC statutory reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	120,000	300,544	5,786	34,376	460,706
Changes in equity for 2012:					
Profit for the year	–	–	–	39,223	39,223
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	39,223	39,223
Appropriation to PRC statutory reserves	–	–	3,652	(3,652)	–
Dividends to shareholders	–	–	–	(8,400)	(8,400)
At 31 December 2012 and 1 January 2013	120,000	300,544	9,438	61,547	491,529
Changes in equity for 2013:					
Profit for the year	–	–	–	75,338	75,338
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	75,338	75,338
Appropriation to PRC statutory reserves	–	–	7,590	(7,590)	–
At 31 December 2013 and 1 January 2014	120,000	300,544	17,028	129,295	566,867
Changes in equity for 2014:					
Profit for the year	–	–	–	24,292	24,292
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	24,292	24,292
Appropriation to PRC statutory reserves	–	–	2,917	(2,917)	–
At 31 December 2014 and 1 January 2015	120,000	300,544	19,945	150,670	591,159

	Share capital	Share Premium	PRC statutory reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014 and 1 January 2015	120,000	300,544	19,945	150,670	591,159
Changes in equity for the six months ended 30 June 2015:					
Loss for the period	–	–	–	(36,682)	(36,682)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(36,682)	(36,682)
Appropriation to PRC statutory reserves	–	–	–	–	–
At 30 June 2015	120,000	300,544	19,945	113,988	554,477
At 31 December 2013 and 1 January 2014	120,000	300,544	17,028	129,295	566,867
Changes in equity for the six months ended 30 June 2014:					
Loss for the period (unaudited)	–	–	–	(50,130)	(50,130)
Other comprehensive income (unaudited)	–	–	–	–	–
Total comprehensive income (unaudited)	–	–	–	(50,130)	(50,130)
Appropriation to PRC statutory reserves (unaudited)	–	–	–	–	–
At 30 June 2014 (unaudited)	120,000	300,544	17,028	79,165	516,737

(b) Dividends

During the year ended 31 December 2012, the Target Company has approved and paid dividend of RMB8,400,000 to its equity shareholders. During the years ended 31 December 2013 and 2014 and six months ended 30 June 2014 and 2015, the Target Company did not declared any dividends to its equity shareholders.

(c) Share capital

Authorised and issued share capital

	At 31 December						At 30 June	
	2012		2013		2014		2015	
	No. of Shares ('000)	*RMB'000*	*No. of Shares ('000)*	*RMB'000*	*No. of Shares ('000)*	*RMB'000*	*No. of Shares ('000)*	*RMB'000*
Authorised, issued and fully paid								
Ordinary shares of RMB1 each	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account of the Target Company is governed by the PRC Company Law.

(ii) PRC Statutory reserve

As stipulated by regulations in the PRC, the Target Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(e) Distributability of reserves

At 31 December 2012, 2013, 2014 and 30 June 2015, the aggregate amount of reserves available for distribution to equity shareholder of the Target Company were RMB61,547,000, RMB129,295,000, RMB150,670,000 and RMB113,988,000, respectively.

(f) Capital management

The Target Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors its capital structure with reference to its debt position. The Target Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations.

The Target Group's debt to asset ratio, being the Target Group's total liabilities over its total assets were 63%, 78%, 67% and 69% at 31 December 2012, 2013 and 2014 and 30 June 2015. The Target Company's debt to asset ratio, being the Target Company's total liabilities over its total assets were 60%, 72%, 67% and 68% at 31 December 2012, 2013 and 2014 and 30 June 2015.

Neither the Target Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and pledged bank deposits held by the Target Group are mainly deposited or placed on financial institutions such as commercial banks with sound reputation. The credit risk is considered low.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are monitored on an ongoing basis and the Target Group's credit risk is not significant. Normally, the Target Group does not obtain collateral from customers.

As of the end of the reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Target Group's consolidated statements of financial position.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Target Company's board when the borrowings exceed certain predetermined levels of authority. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period during the Relevant Periods of the Target Group and the Target Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group and the Target Company can be required to pay:

(i) The Target Group

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012:					
Trade and other payables (excluding receipts in advance)	445,593	–	–	445,593	445,593
Corporate bond payable	9,500	106,294	–	115,794	97,980
Bank loans and other borrowings	115,686	–	–	115,686	108,000
	570,779	106,294	–	677,073	651,573
At 31 December 2013:					
Trade and other payables (excluding receipts in advance)	1,401,379	–	–	1,401,379	1,386,060
Corporate bond payable	106,294	–	–	106,294	99,218
Bank loans and other borrowings	268,543	15,865	128,831	413,239	386,506
	1,776,216	15,865	128,831	1,920,912	1,871,784
At 31 December 2014:					
Trade and other payables (excluding receipts in advance)	896,213	–	–	896,213	896,213
Bank loans and other borrowings	225,120	–	–	225,120	210,425
	1,121,333	–	–	1,121,333	1,106,638
At 30 June 2015:					
Trade and other payables (excluding receipts in advance)	889,265	–	–	889,265	889,265
Bank loans and other borrowings	86,620	–	–	86,620	84,138
	975,885	–	–	975,885	973,403

(ii) The Target Company

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012:					
Trade and other payables (excluding receipts in advance)	366,964	–	–	366,964	366,964
Corporate bond payable	9,500	106,294	–	115,794	97,980
Bank loans and other borrowings	109,263	–	–	109,263	105,000
	485,727	106,294	–	592,021	569,944
At 31 December 2013:					
Trade and other payables (excluding receipts in advance)	997,311	–	–	997,311	981,992
Corporate bond payable	106,294	–	–	106,294	99,218
Bank loans and other borrowings	205,792	–	–	205,792	198,000
	1,309,397	–	–	1,309,397	1,279,210
At 31 December 2014:					
Trade and other payables (excluding receipts in advance)	991,672	–	–	991,672	991,672
Bank loans and other borrowings	101,980	–	–	101,980	100,000
	1,093,652	–	–	1,093,652	1,091,672
At 30 June 2015:					
Trade and other payables (excluding receipts in advance)	892,492	–	–	892,492	892,492
Bank loans and other borrowings	71,949	–	–	71,949	70,000
	964,441	–	–	964,441	962,492

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates determined at the end of each reporting period during the Relevant Periods.

(c) Interest rate risk

The Target Group's interest rate risk arises primarily from bank loans and other borrowings, corporate bond payable and loan from immediate controlling party issued at variable rates and fixed rates expose the Target Group to cash flow interest rate risk and fair value interest rate risk respectively. The Target Group adopts a policy of ensuring at least 40% of its net borrowings are effectively on a fixed rate basis, either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps. For this purpose the Target Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments (excluding cash held for short-term working capital purposes). The Target Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Target Group and the Target Company's net borrowings (as defined above) at the end of each reporting period during the Relevant Periods.

(a) The Target Group

	At 31 December						At 30 June	
	2012		2013		2014		2015	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Net fixed rate borrowings:								
Bank loans and other borrowings	6.86%	3,000	6.57%	306,506	6.82%	150,425	6.91%	84,138
Corporate bond payable	9.50%	97,980	9.50%	99,218		–		–
Amount due to a related party		–	10.75%	180,000		–		–
		100,980		585,724		150,425		84,138
Variable rate borrowings:								
Bank loans and other borrowings	6.40%	105,000	6.84%	80,000	7.07%	60,000		–
Total net borrowings		205,980		665,724		210,425		84,138
Net fixed rate borrowings as a percentage of total net borrowings	49%		88%		71%		100%	

(b) The Target Company

	At 31 December						At 30 June	
	2012		2013		2014		2015	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Net fixed rate borrowings:								
Bank loans and other borrowings		–	6.57%	118,000	6.84%	40,000	7.16%	70,000
Corporate bond payable	9.50%	97,980	9.50%	99,218		–		–
Amount due to a related party		–	10.75%	180,000		–		–
		97,980		397,218		40,000		70,000
Variable rate borrowings:								
Bank loans and other borrowings	6.40%	105,000	6.84%	80,000	7.07%	60,000		–
Total net borrowings		202,980		477,218		100,000		70,000
Net fixed rate borrowings as a percentage of total net borrowings	48%		83%		40%		100%	

(ii) *Sensitivity analysis*

At 31 December 2012, 2013 and 2014 and 30 June 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Group's profit after tax and retained profits by approximately RMB446,250, RMB340,000, RMB255,000 and RMB nil respectively.

Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Target Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period during the Relevant Periods and had been applied to re-measure those financial instruments held by the Target Group which expose the Target Group to fair value interest rate risk at the end of each reporting period during the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Target Group at the end of the reporting period, the impact on Target Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the years ended 31 December 2012, 2013 and 2014 and six month ended 30 June 2015.

(d) Currency risk

As the Target Group's principal activities are carried out in the PRC, the Target Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Target Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies during the Relevant Periods and the impact of foreign currency risk on the Target Group's operation is minimal.

(e) Fair value measurement

The carrying amount of the Target Group and the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2012, 2013 and 2014 and 30 June 2015.

31 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of each reporting period not provided for in the Financial Information were as follows:

	The Target Group			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	32,016	12,309	192,743	188,016
Authorised but not contracted for	177,870	164,009	974,628	973,628
	209,886	176,318	1,167,371	1,161,644

	The Target Company			
	At 31 December			**At 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	32,016	12,309	13,670	13,457
Authorised but not contracted for	–	–	974,628	973,628
	32,016	12,309	988,298	987,085

(b) At the end of each reporting period, the Target Group and the Target Company's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,279	2,467	27,393	6,843
After 1 year but within 5 years	5,631	5,616	105,449	60,741
After 5 years	3,870	2,580	196,662	50,422
	11,780	10,663	329,504	118,006

	The Target Company			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,005	1,719	15,148	1,079
After 1 year but within 5 years	5,589	5,160	57,045	12,336
After 5 years	3,870	2,580	140,190	–
	11,464	9,459	212,383	13,415

The Target Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 1 to 16 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the Target Company's directors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

	The Target Group				
	Years ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short term employee benefits	1,470	1,898	1,949	987	1,263
Post-employment benefits	–	–	–	–	–
Equity compensation benefits	–	–	–	–	–
	1,470	1,898	1,949	987	1,263

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Financing arrangements

Amount owed by the Target Group to related parties

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance with the immediate controlling party – Beijing Modasi				
– Loan payable	–	180,000	–	–
– Interest payable	–	3,583	1,445	–
	–	183,583	1,445	–

Related interest expense

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from the immediate controlling party – Beijing Modasi	–	3,650	9,312	–

(c) Transactions with related parties

During the Relevant Periods, the Target Group entered into the following material related party transactions:

	The Target Group				
	Years ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Construction services to					
– Yunnan Electric investment Zhongke Photovoltaic	7,142	–	–	–	–
Loan received from:					
Beijing Modasi	–	180,000	–	–	–
Repayment of loan to:					
Beijing Modasi	–	–	180,000	–	–
Rental expenses to					
– Beijing Zhongchenghe Investment Consulting Co., Ltd. ("Beijing Zhongchenghe")	1,290	1,290	1,290	645	645

(d) Balances with related parties

Due from related parties

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade-related				
Trade receivables				
– Yunnan Electric Investment Zhongke Photovoltaic	636	636	636	636

	The Target Group			
	At 31 December			At 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade related				
Other receivables				
– Beijing Zhongchenghe	1,100	1,100	1,100	1,100
– Beijing Modasi	–	–	–	5,000
	1,100	1,100	1,100	6,100

33 ACQUISITION OF SUBSIDIARIES

During the Relevant Periods, the Target Group entered into equity transfer agreements with independent third parties to acquire equity interests in four entities for a total cash consideration of RMB66,400,000. One of the entities are engaged in manufacturing and sale of monitoring equipment and the other three entities are solar power plants at development stage.

(a) Monitoring equipment business

During the year ended 31 December 2014, the Target Group entered into an equity transfer agreement with an independent third party to acquire 51% equity interests in Zhongke Huaxun, a PRC incorporated company principally engaged in the manufacturing and sales of monitoring equipment, at a total cash consideration of RMB22,950,000. The above mentioned acquisition was completed on 31 August 2014 (the "Acquisition Date"), through which the Target Group obtains control of Zhongke Huaxun.

The identifiable assets acquired and liabilities assumed at the Acquisition Date are as follows:

	RMB'000
Net assets acquired:	
Property, plants and equipment	1,650
Inventories	520
Trade and other receivables	64,722
Trade and other payables	(17,045)
Bank loans and other borrowings	(10,000)
Net identifiable assets	39,847
Less: Non-controlling interests	(18,209)
Net identifiable assets attributable to the Target Group	21,638
Total consideration	22,950
Less: Net identifiable assets	(21,638)
Goodwill on the acquisition	1,312
Consideration, satisfied in cash	22,950
Less: Cash and cash equivalents acquired	–
Other payables	(2,295)
Payment for acquisition of subsidiaries, net of cash acquired	20,655

RMB20,655,000 out of the total consideration was paid in 2014 with the remaining balance of RMB2,295,000 being paid in 2015.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the acquirees into the Target Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

During the period from the Acquisition Date to 31 December 2014, Zhongke Huaxun contributed revenue of RMB15,247,000 and profit of RMB405,000 to the Target Group.

(b) Solar power plants under development

During the year ended 31 December 2013, the Target Group acquired 100% equity interests in Yumen Yonglian from an independent third party at a cash consideration of RMB100,000. The entity principally engaged in generating and sales of electricity. At the date of acquisition, the entity was at development stage with net identifiable assets of RMB100,000.

During the year ended 31 December 2014, the Target Group acquired equity interests in two entities, details as per below from independent third parties at an aggregate cash considerations of RMB43,350,000. The entities principally engaged in generating and sales of electricity. At the dates of acquisitions, the entities were at development stage.

Name of entity	Equity interests acquired
Datong Wantong	95%
Jiayuguan Xiehe	95%

The combined identifiable assets acquired and liabilities assumed are as follows:

	RMB'000
Net assets acquired:	
Solar power plants under development	60,069
Trade and other receivables	846
Trade and other payables	(15,397)
Net identifiable assets	45,518
Less: Non-controlling interests	(2,168)
Consideration, satisfied in cash	43,350
Less: Cash and cash equivalents acquired	–
Other payables	(19,170)
Payment for acquisition of subsidiaries, net of cash acquired	24,180

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 16 October 2015, the Target Group acquired 85% equity interest in Zhongke Hengyuan Jiuquan for a consideration of RMB57,638,805. After the acquisition, Zhongke Hengyuan Jiuquan became a wholly-owned subsidiary of the Target Group.

(b) Acquisition of available-for-sale investments

(i) On 9 November 2015, the Target Group acquired 7.62% equity interest in Hami Commercial Bank Co., Ltd. from an independent third party for a consideration of RMB79,949,000.

(ii) Pursuant to a shareholders' resolution of the Target Company, the Target Company entered into a series of transactions (the "Transactions") in November 2015 in respect of the shares in Huatian Hotel Co., Ltd. 華天酒店集團股份有限公司 ("Huatian"):

1) The Target Company signed a loan agreement of RMB1,010,828,200 with Nanjing Kaen Industrial Trading Co., Ltd. 南京卡恩工貿有限公司 ("Nanjing Kaen"), to finance the acquisition of shares in Huatian.

2) The Target Company effectively acquired 181,820,100 shares in Huatian through Hunan Huaxin Hengyuan Investment (limited partnership) 湖南華信恒源股權投資企業（有限合夥）("Huaxin Hengyuan"), a limited partnership set up for the sole purpose of investment in Huatian, for a consideration of RMB1,001,828,200. As of the date of this report, 60.61% and 15% of the shares of Huaxin Hengyuan is owned by the Target Company and Mr. Xiang Jun (through Beijing Modasi), respectively.

3) Pursuant to an agreement signed between the Target Company and Nanjing Kaen, the Target Company transferred its rights of returns in Huaxin Hengyuan to Nanjing Kaen for a consideration of RMB1,010,828,200.

4) Pursuant to a supplemental agreement signed between the Target Company and Nanjing Kaen, the Target Company agreed to offset the consideration receivable from Nanjing Kaen against its loan from Nanjing Kaen resulting from the above transactions.

(iii) During the period from July 2015 to the date of this report, the Target Group entered into several agreements to acquire 14.56% equity interests in Anhua Agricultural Insurance Co., Ltd. ("Anhua") from independent third parties for an aggregate consideration of RMB255,510,000 and rights to acquire 268,250,000 shares through rights issue exercise (the "Rights Issue") in Anhua for an aggregate consideration of RMB51,612,500. In addition, the Target Group subscribed 357,900,000 shares through the Rights Issue at a consideration of RMB486,744,000. Assuming the Target Group participates in the Rights Issue and exercised its rights in full, the Target Group would hold 16.67% equity interests in Anhua. As at the date of this report, only 97,000,000 shares in respect of the shares transfer of above-mentioned investments in Anhua has been completed and registered under the name of the Target Group.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 30 June 2015, the directors consider the immediate controlling party of the Target Company to be Beijing Modasi, and the ultimate controlling party of the Target Company to be Mr. Xiang Jun.

36 LIST OF AUDITORS OF THE SUBSIDIARIES

The financial statements of the companies comprising the Target Group which are subject to audit during the Relevant Periods were audited by the following auditors:

Name of company	**Financial year**	**Statutory auditors** *(Note)*
The Target Company	For the years ended 31 December 2012, 2013 and 2014	BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥)
Zhongke Hengyuan Yiyang	For the years ended 31 December 2012, 2013 and 2014	Yiyan Fangzheng Certified Public Accountants 益陽方正會計師事務所有限公司
Wuhan Zhongke*	For the year ended 31 December 2012	Hubei Mingjun Certified Public Accountants 湖北明君會計師事務所有限公司
Xinjiang Zhongke Hengyuan*	For the year ended 31 December 2012	Xinjiang Xinneng Certified Public Accountants 新疆新能有限責任會計師事務所
Xinjiang Huaxun**	For the year ended 31 December 2014	Xinjiang Guoxin Certified Public Accountants 新疆國信有限責任會計師事務所

Note: The English translation of the names are for reference only. The official names of these entities are in Chinese.

* As at the date of this report, no audit report has been issued in connection with Wuhan Zhongke and Xinjiang Zhongke Hengyuan's statutory financial statements for the years ended 31 December 2013 and 2014.

** As at the date of this report, no audit report has been issued in connection with Xinjiang Huaxun's statutory financial statements for the years ended 31 December 2012 and 2013.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR BEGINNING 1 JANUARY 2015

Up to the date of issue of the Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the year beginning 1 January 2015 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information of the Target Group.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 30 June 2015. No dividend or distribution has been declared or made by any companies comprising the Target Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

A. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Target Group for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

The Target Group is principally engaged in the construction and development of photovoltaic power station projects and manufacture and sale of wind-solar hybrid street lights in the PRC.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015

Revenue

For the six months ended 30 June 2015, the total revenue of the Target Group increased by RMB47,640,000 from approximately RMB73,013,000 for the six months ended 30 June 2014 to approximately RMB120,653,000 for the six months ended 30 June 2015. The increase in the revenue was mainly due to: (i) increase of RMB11,410,000 in the sales of the street lights; and (ii) increase in revenue from the construction of solar power plants of RMB36,823,000.

Other revenue

For the six months ended 30 June 2015, other revenue of the Target Group decreased by RMB24,117,000 from approximately RMB27,897,000 for the six months ended 30 June 2014 to approximately RMB3,780,000 for the six months ended 30 June 2015. The decrease was mainly due to the decrease in interest income of RMB20,617,000 for the period, as a result of the decrease in bank and cash balances over the period.

Distribution costs

For the six months ended 30 June 2015, the distribution costs of the Target Group increased by RMB11,194,000 from approximately RMB17,329,000 for the six months ended 30 June 2014 to approximately RMB28,523,000 for the six months ended 30 June 2015. The increase was mainly due to: (i) increase of RMB4,031,000 in salaries, wages and other benefits; (ii) increase of RMB1,900,000 in travelling expenses; and (iii) increase of RMB1,400,000 in promotional expenses.

Administrative and other operating expenses

For the six months ended 30 June 2015, the administrative and other operating expenses of the Target Group increased by RMB27,813,000 from approximately RMB51,626,000 for the six months ended 30 June 2014 to approximately RMB79,439,000 for the six months ended 30 June 2015. The increase was mainly due to: (i) increase of RMB16,240,000 in salaries, wages and other benefits; (ii) increase of RMB8,336,000 in office related expenses; and (iii) increase of RMB361,000 in depreciation, amortization and repairs expenses.

Finance costs

For the six months ended 30 June 2015, finance costs of the Target Group decreased by RMB26,637,000 from approximately RMB40,713,000 for the six months ended 30 June 2014 to approximately RMB14,076,000 for the six months ended 30 June 2015. The decrease was mainly due to the decrease in the interest on bank loans and other borrowings of RMB26,706,000 for the period, as a result of the decrease in bank loans and other borrowings over the period.

Solar power plants

As at 30 June 2015, the Target Group had a net book value of approximately RMB13,198,000 (31 December 2014: RMB13,617,000) and RMB146,360,000 (31 December 2014: RMB98,634,000) in completed solar power plants and solar power plants under development.

Inventories

As at 30 June 2015, the Target Group had approximately RMB200,005,000 (31 December 2014: RMB155,951,000) of inventories. The increase was mainly due to increased number of projects on hand in respect of the construction of solar power plants and manufacture and sale of street lights over the period.

Trade and other receivables

As at 30 June 2015, the Target Group had approximately RMB1,068,314,000 (31 December 2014: RMB1,125,855,000) of trade and other receivables. As at 30 June 2015, it mainly consisted of (i) trade debtors (net of allowance for doubtful debts) of RMB429,753,000 (31 December 2014: RMB531,519,000); (ii) other deposits and prepayments and receivables of RMB427,761,000 (31 December 2014: RMB415,334,000); and (iii) gross amount due from customers for contract work of RMB204,700,000 (31 December 2014: RMB177,902,000).

Trade and other payables

As at 30 June 2015, the Target Group had approximately RMB1,101,081,000 (31 December 2014: RMB1,000,855,000) of trade and other payables. As at 30 June 2015, it mainly consisted of (i) trade payables of RMB304,836,000 (31 December 2014: RMB466,392,000); (ii) bills payable of RMB466,082,000 (31 December 2014: RMB363,343,000); (iii) receipts in advance of RMB211,816,000 (31 December 2014: RMB104,642,000); and (iv) other payables and accruals of RMB118,347,000 (31 December 2014: RMB65,033,000).

Bank loans and other borrowings

As at 30 June 2015, the Target Group had approximately RMB84,138,000 (31 December 2014: RMB210,425,000) of bank loans and other borrowings.

Liquidity and Capital Resources

As at 30 June 2015, the total amount of cash and cash equivalents and pledged bank deposits of the Target Group was approximately RMB130,633,000 (31 December 2014: RMB273,663,000). All the cash and cash equivalents and pledged bank deposits were denominated in RMB and placed with banks in the PRC.

As at 30 June 2015, the Target Group's debt ratio, which was calculated by the total interest-bearing borrowings over the total equity, decreased from ratio of 0.34 as at 31 December 2014 to 0.15 as at 30 June 2015.

Capital Expenditure

During the six months ended 30 June 2015, the Target Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB2,786,000 (twelve months ended 31 December 2014: RMB5,344,000) and RMB47,726,000 (twelve months ended 31 December 2014: RMB179,293,000) respectively.

Foreign Exchange Risk

The Target Group primarily operates its business in the PRC and the Target Group's revenue were primarily denominated in RMB, being the functional currency of the Target Group's major operating subsidiaries. Accordingly, any future exchange rate fluctuation will not have any material effect on the Target Group's business. The Target Group did not use any financial instruments for hedging purpose.

Charge on Assets and Contingent Liabilities

As at 30 June 2015, the Target Group has pledged bank deposits of approximately RMB2,250,000 (31 December 2014: RMB1,500,000) and trade and other receivables of approximately RMB71,058,000 (31 December 2014: RMB71,058,000) to secure general banking and other loans facilities granted to the Target Group.

As at 30 June 2015, the Target Group had no significant contingent liabilities (31 December 2014: Nil).

Employee and Remuneration Policy

As at 30 June 2015, the Target Group had approximately 699 (31 December 2014: 669) employees located in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Target Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff.

Material Acquisition and Disposal

Saved as disclosed under the section "Financial Information of the Target Group", the Group did not have any other material acquisition or disposal during the six months ended 30 June 2015.

For the year ended 31 December 2014

Revenue

For the year ended 31 December 2014, the total revenue of the Target Group decreased by RMB405,593,000 from approximately RMB1,021,521,000 for the year ended 31 December 2013 to approximately RMB615,928,000 for the year ended 31 December 2014. The decrease in the revenue was mainly due to the decrease in the sales of the street lights of RMB427,673,000 for the year.

Other revenue

For the year ended 31 December 2014, other revenue of the Target Group increased by RMB38,681,000 from approximately RMB16,295,000 for the year ended 31 December 2013 to approximately RMB54,976,000 for the year ended 31 December 2014. The increase was mainly due to the increase in other interest income of RMB36,729,000 for the year.

Other net income

For the year ended 31 December 2014, other net income of the Target Group was approximately RMB55,926,000 (2013: RMB21,297,000), mainly represented (i) the net gain on disposal of subsidiaries of RMB49,326,000 (2013: RMB21,324,000); and (ii) the net gain on disposal of available-for-sale equity securities of RMB6,600,000 (2013: Nil).

Distribution costs

For the year ended 31 December 2014, the distribution costs of the Target Group increased by RMB4,484,000 from approximately RMB43,904,000 for the year ended 31 December 2013 to approximately RMB48,388,000 for the year ended 31 December 2014. The increase was mainly due to the increase in salaries, wages and other benefits of RMB5,867,000 and partly off-set by the decrease in office related expenses and entertainment expenses of RMB667,000 in total.

Administrative and other operating expenses

For the year ended 31 December 2014, the administrative and other operating expenses of the Target Group increased by RMB40,823,000 from approximately RMB95,971,000 for the year ended 31 December 2013 to approximately RMB136,794,000 for the year ended 31 December 2014. The increase was mainly due to: (i) increase of RMB8,610,000 in salaries, wages and other benefits; (ii) increase of RMB18,785,000 in office related expenses; (iii) increase of RMB1,742,000 in consultancy fees; and (iv) increase of RMB1,686,000 in depreciation, amortization and repairs expenses.

Finance costs

For the year ended 31 December 2014, finance costs of the Target Group increased by RMB55,281,000 from approximately RMB26,549,000 for the year ended 31 December 2013 to approximately RMB81,830,000 for the year ended 31 December 2014. The increase was mainly due to the increase of RMB56,691,000 in interest on bank loans and other borrowings.

Solar power plants

As at 31 December 2014, the Target Group had a net book value of approximately RMB13,617,000 (2013: RMB8,314,000) and RMB98,634,000 (2013: RMB334,612,000) in completed solar power plants and solar power plants under development.

Inventories

As at 31 December 2014, the Target Group had approximately RMB155,951,000 (2013: RMB92,966,000) of inventories. The increase was mainly due to increased number of projects on hand in respect of the construction of solar power plants and manufacture and sale of street lights over the year.

Trade and other receivables

As at 31 December 2014, the Target Group had approximately RMB1,125,855,000 (2013: RMB1,695,960,000) of trade and other receivables. As at 31 December 2014, it mainly consisted of (i) trade debtors (net of allowance for doubtful debts) of RMB531,519,000 (2013: RMB1,311,161,000); (ii) other deposits and prepayments and receivables of RMB415,334,000 (2013: RMB345,992,000); and (iii) gross amount due from customers for contract work of RMB177,902,000 (2013: RMB37,707,000).

Trade and other payables

As at 31 December 2014, the Target Group had approximately RMB1,000,855,000 (2013: RMB1,590,257,000) of trade and other payables. As at 31 December 2014, it mainly consisted of (i) trade payables of RMB466,392,000 (2013: RMB808,537,000); (ii) bills payable of RMB363,343,000 (2013: RMB312,077,000); (iii) receipts in advance of RMB104,642,000 (2013: RMB204,197,000); and (iv) other payables and accruals of RMB65,033,000 (2013: RMB81,863,000).

Bank loans and other borrowings

As at 31 December 2014, the Target Group had approximately RMB210,425,000 (2013: RMB386,506,000) of bank loans and other borrowings.

Corporate bond payable

As at 31 December 2014, the Target Group had no corporate bond payable (2013: RMB99,218,000). On 26 January 2014, certain bondholders exercised the early redemption right to redeem corporate bond of RMB67,500,000 at its par value. The remaining balance of RMB32,500,000 was repaid on 26 July 2014.

Liquidity and Capital Resources

As at 31 December 2014, the total amount of cash and cash equivalents and pledged bank deposits of the Target Group was approximately RMB273,663,000 (2013: RMB372,925,000). All the cash and cash equivalents and pledged bank deposits were denominated in RMB and placed with banks in the PRC.

As at 31 December 2014, the Target Group's debt ratio, which was calculated by the total interest-bearing borrowings over the total equity, decreased from ratio of 0.83 as at 31 December 2013 to 0.34 as at 31 December 2014.

Capital Expenditure

During the year ended 31 December 2014, the Target Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB5,344,000 (2013: RMB11,052,000) and RMB179,293,000 (2013: RMB292,753,000) respectively.

Foreign Exchange Risk

The Target Group primarily operates its business in the PRC and the Target Group's revenue were primarily denominated in RMB, being the functional currency of the Target Group's major operating subsidiaries. Accordingly, any future exchange rate fluctuation will not have any material effect on the Target Group's business. The Target Group did not use any financial instruments for hedging purpose.

Charge on Assets and Contingent Liabilities

As at 31 December 2014, the Target Group has pledged bank deposits of approximately RMB1,500,000 (2013: Nil), trade and other receivables of approximately RMB71,058,000 (2013: RMB245,523,000), lease prepayments of approximately RMB62,099,000 (2013: RMB12,034,000) and property, plant and equipment of approximately RMB9,646,000 (2013: RMB25,733,000) to secure general banking and other loans facilities granted to the Target Group.

As at 31 December 2014, the Target Group had no significant contingent liabilities (2013: Nil).

Employee and Remuneration Policy

As at 31 December 2014, the Target Group had approximately 669 (2013: 635) employees located in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Target Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff.

Material Acquisition and Disposal

Saved as disclosed under the section "Financial Information of the Target Group", the Group did not have any other material acquisition during the year ended 31 December 2014.

During the year ended 31 December 2014, the Target Group disposed 100% equity interests in Hami Zhaoxiang and Gansu Hongyuan, which contributed net income of RMB49,326,000.

For the year ended 31 December 2013

Revenue

For the year ended 31 December 2013, the total revenue of the Target Group increased by RMB486,098,000 from approximately RMB535,423,000 for the year ended 31 December 2012 to approximately RMB1,021,521,000 for the year ended 31 December 2013. The increase in the revenue was mainly due to: (i) increase of RMB333,320,000 in the sales of the street lights; and (ii) increase in revenue from the construction of solar power plants of RMB153,113,000.

Other revenue

For the year ended 31 December 2013, other revenue of the Target Group increased by RMB5,242,000 from approximately RMB11,053,000 for the year ended 31 December 2012 to approximately RMB16,295,000 for the year ended 31 December 2013. The increase was mainly due to the increase in interest income of RMB7,716,000, and partially off-set by the decrease in government grants of RMB2,546,000.

Other net income

For the year ended 31 December 2013, other net income of the Target Group was approximately RMB21,297,000 (2012: RMB17,970,000), mainly represented the net gain on disposal of subsidiaries of RMB21,324,000 (2012: RMB17,976,000).

Distribution costs

For the year ended 31 December 2013, the distribution costs of the Target Group increased by RMB1,681,000 from approximately RMB42,223,000 for the year ended 31 December 2012 to approximately RMB43,904,000 for the year ended 31 December 2013. The increase was mainly due to the increase in warranty provisions of RMB1,519,000.

Administrative and other operating expenses

For the year ended 31 December 2013, the administrative and other operating expenses of the Target Group decreased by RMB12,581,000 from approximately RMB108,552,000 for the year ended 31 December 2012 to approximately RMB95,971,000 for the year ended 31 December 2013. The decrease was mainly due to the decrease in impairment losses in respect of trade and other receivables of RMB42,834,000; which was partially off-set by (i) the increase in salaries, wages and other benefits of RMB10,763,000; and (ii) the increase in research and development costs of RMB12,237,000.

Finance costs

For the year ended 31 December 2013, finance costs of the Target Group increased by RMB15,549,000 from approximately RMB11,000,000 for the year ended 31 December 2012 to approximately RMB26,549,000 for the year ended 31 December 2013. The increase was mainly due to: (i) increase of RMB9,182,000 in the interest on bank loans and other borrowings; and (ii) increase of RMB6,299,000 in interest on corporate bond payable.

Solar power plants

As at 31 December 2013, the Target Group had a net book value of approximately RMB8,314,000 (2012: Nil) and RMB334,612,000 (2012: RMB50,468,000) in completed solar power plants and solar power plants under development.

Inventories

As at 31 December 2013, the Target Group had approximately RMB92,966,000 (2012: RMB92,395,000) of inventories. Same level of projects on hand in respect of the construction of solar power plants and manufacture and sale of street light as 2012.

Trade and other receivables

As at 31 December 2013, the Target Group had approximately RMB1,695,960,000 (2012: RMB742,795,000) of trade and other receivables. As at 31 December 2013, it mainly consisted of (i) trade debtors (net of allowance for doubtful debts) of RMB1,311,161,000 (2012: RMB576,157,000); (ii) other deposits and prepayments and receivables of RMB345,992,000 (2012: RMB95,069,000); and (iii) gross amount due from customers for contract work of RMB37,707,000 (2012: RMB70,469,000).

Trade and other payables

As at 31 December 2013, the Target Group had approximately RMB1,590,257,000 (2012: RMB619,170,000) of trade and other payables. As at 31 December 2013, it mainly consisted of (i) trade payables of RMB808,537,000 (2012: RMB320,396,000); (ii) bills payable of RMB312,077,000 (2012: RMB96,790,000); (iii) receipts in advance of RMB204,197,000 (2012: RMB173,577,000); (iv) other payables and accruals of RMB81,863,000 (2012: RMB28,407,000); and (v) amounts due to a related party of RMB183,583,000 (2012: Nil).

Bank loans and other borrowings

As at 31 December 2013, the Target Group had approximately RMB386,506,000 (2012: RMB108,000,000) of bank loans and other borrowings.

Corporate bond payable

As at 31 December 2013, the Target Group had approximately RMB99,218,000 (2012: RMB97,980,000) of corporate bond payable, which was repayable on 26 July 2014.

Liquidity and Capital Resources

As at 31 December 2013, the total amount of cash and cash equivalents and pledged bank deposits of the Target Group was approximately RMB372,925,000 (2012: RMB354,382,000). All the cash and cash equivalents and pledged bank deposits were denominated in RMB and placed with banks in the PRC.

As at 31 December 2013, the Target Group's debt ratio, which was calculated by the total interest-bearing borrowings over the total equity, increased from ratio of 0.41 as at 31 December 2012 to 0.83 as at 31 December 2013.

Capital Expenditure

During the year ended 31 December 2013, the Target Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB11,052,000 (2012: RMB13,946,000) and RMB292,753,000 (2012: RMB50,428,000) respectively.

Foreign Exchange Risk

The Target Group primarily operates its business in the PRC and the Target Group's revenue were primarily denominated in RMB, being the functional currency of the Target Group's major operating subsidiaries. Accordingly, any future exchange rate fluctuation will not have any material effect on the Target Group's business. The Target Group did not use any financial instruments for hedging purpose.

Charge on Assets and Contingent Liabilities

As at 31 December 2013, the Target Group has trade and other receivables of approximately RMB245,523,000 (2012: Nil), lease prepayments of approximately RMB12,034,000 (2012: Nil), solar power plants of approximately RMB169,965,000 (2012: Nil) and property, plant and equipment of approximately RMB25,733,000 (2012: Nil) to secure general banking and other loans facilities granted to the Target Group.

As at 31 December 2013, the Target Group had no significant contingent liabilities (2012: Nil).

Employee and Remuneration Policy

As at 31 December 2013, the Target Group had approximately 635 (2012: 598) employees located in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Target Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff.

Material Acquisition and Disposal

Saved as disclosed under the section "Financial Information of the Target Group", the Group did not have any other material acquisition during the year ended 31 December 2013.

During the year ended 31 December 2013, the Target Group disposed 81% equity interests, in Yumen Yonglian which contributed net income of RMB21,324,000.

For the year ended 31 December 2012

Revenue

For the year ended 31 December 2012, the total revenue of the Target Group was approximately RMB535,423,000, of which, (i) approximately RMB265,899,000 was generated from the sales of street lights; and (ii) approximately RMB267,648,000 was generated from the construction of solar power plants.

Other revenue

For the year ended 31 December 2012, other revenue of the Target Group was approximately RMB11,053,000, mainly consisted of (i) RMB4,409,000 in interest income; and (ii) RMB6,597,000 in government grants.

Other net income

For the year ended 31 December 2012, other net income of the Target Group was approximately RMB17,970,000, mainly represented the net gain on disposal of subsidiaries of RMB17,976,000.

Distribution costs

For the year ended 31 December 2012, the distribution costs of the Target Group was approximately RMB42,223,000, mainly consisted of (i) RMB16,467,000 in salaries, wages and other benefits; (ii) RMB4,702,000 in office related expenses; (iii) RMB4,283,000 in travelling and transportation expenses; and (iv) RMB4,163,000 in entertainment expenses.

Administrative and other operating expenses

For the year ended 31 December 2012, the administrative and other operating expenses of the Target Group was approximately RMB108,552,000, mainly consisted of (i) RMB45,977,000 in impairment losses in respect of trade and other receivables; and (ii) RMB20,589,000 in research and development costs.

Finance costs

For the year ended 31 December 2012, finance costs of the Target Group was approximately RMB11,000,000, mainly consisted of (i) RMB4,236,000 in the interest on bank loans and other borrowings; and (ii) RMB4,438,000 in interest on corporate bond payable.

Solar power plants

As at 31 December 2012, the Target Group had a net book value of approximately RMB50,468,000 in solar power plants under development.

Inventories

As at 31 December 2012, the Target Group had approximately RMB92,395,000 of inventories for projects on hand in respect of the construction of solar power plants and manufacture and sale of street light.

Trade and other receivables

As at 31 December 2012, the Target Group had approximately RMB742,795,000 of trade and other receivables. It mainly consisted of (i) trade debtors (net of allowance for doubtful debts) of RMB576,157,000; (ii) other deposits and prepayments and receivables of RMB95,069,000; and (iii) gross amount due from customers for contract work of RMB70,469,000.

Trade and other payables

As at 31 December 2012, the Target Group had approximately RMB619,170,000 of trade and other payables. It mainly consisted of (i) trade payables of RMB320,396,000; (ii) bills payable of RMB96,790,000; (iii) receipts in advance of RMB173,577,000; and (iv) other payables and accruals of RMB28,407,000.

Bank loans and other borrowings

As at 31 December 2012, the Target Group had approximately RMB108,000,000 of bank loans and other borrowings.

Corporate bond payable

As at 31 December 2012, the Target Group had approximately RMB97,980,000 of corporate bond payable. On 26 July 2012, the Target Group had issued a corporate bond amounting to RMB100,000,000, which was secured by certain trade receivables, bearing interest at 9.5% per annum and was repayable on 26 July 2014.

Liquidity and Capital Resources

As at 31 December 2012, the total amount of cash and cash equivalents and pledged bank deposits of the Target Group was approximately RMB354,382,000. All the cash and cash equivalents and pledged bank deposits were denominated in RMB and placed with banks in the PRC.

As at 31 December 2012, the Target Group's debt ratio was 0.41, which was calculated by the total interest-bearing borrowings over the total equity.

Capital Expenditure

During the year ended 31 December 2012, the Target Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB13,946,000 and RMB50,428,000 respectively.

Foreign Exchange Risk

The Target Group primarily operates its business in the PRC and the Target Group's revenue were primarily denominated in RMB, being the functional currency of the Target Group's major operating subsidiaries. Accordingly, any future exchange rate fluctuation will not have any material effect on the Target Group's business. The Target Group did not use any financial instruments for hedging purpose.

Charge on Assets and Contingent Liabilities

As at 31 December 2012, the Target Group has pledged bank deposits of approximately RMB25,000,000 to secure general banking and other loans facilities granted to the Target Group.

As at 31 December 2012, the Target Group had no significant contingent liabilities.

Employee and Remuneration Policy

As at 31 December 2012, the Target Group had approximately 598 employees located in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. The remuneration policy of the Target Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff.

Material Acquisition and Disposal

Saved as disclosed under the section "Financial Information of the Target Group", the Group did not have any other material acquisition during the year ended 31 December 2012.

During the year ended 31 December 2012, the Target Group disposed 85% equity interests, in Zhongke Hengyuan Jiuquan which contributed net income of RMB17,976,000.

The following is the text of the report, prepared for the purpose of inclusion in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The following is the unaudited pro forma financial information of the Enlarged Group, being the Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") together with Zhongke Hengyuan Technology Co., Ltd. (the "Target Company") and its subsidiaries (collectively the "Target Group"), as if the proposed acquisition of 44.587% equity interest in the Target Group (the "Proposed Acquisition") had been completed on 30 June 2015 for the unaudited pro forma consolidated statement of assets and liabilities. Details of the Proposed Acquisition are set out in the section headed "Letter from the Board" contained in this circular.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company 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") for the purpose of illustrating the effect of the Proposed Acquisition pursuant to the terms of the purchase agreement by and between the Company and Vendors (the "Purchase Agreement"). Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information is based upon the unaudited consolidated interim financial information of the Group as at 30 June 2015, which has been extracted from the Company's interim financial report for the six months ended 30 June 2015 and adjusted on a pro forma basis to reflect the effect of the Proposed Acquisition. These pro forma adjustments are (i) directly attributable to the Proposed Acquisition and not relating to other future events and decisions; and (ii) factually supported based on the terms of the Purchase Agreement.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published interim financial report of the Group for the six months ended 30 June 2015 and other financial information included elsewhere in this circular.

2. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 30 June 2015	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (1))	*(Note (2))*	*(Note (3))*	
Non-current assets				
Property, plant and equipment	26,819			26,819
Solar power plants	2,413,914		(2,627)	2,411,287
Investment properties	46,133			46,133
Goodwill	36,543			36,543
Lease prepayments	21,521			21,521
Deferred tax assets	–		539	539
Interest in an associate	–	347,800		347,800
	2,544,930	347,800	(2,088)	2,890,642
Current assets				
Inventories	4,137			4,137
Trade and other receivables	1,555,012			1,555,012
Pledged bank deposits	236,973			236,973
Cash and cash equivalents	1,154,061	(347,800)		806,261
	2,950,183	(347,800)		2,602,383
Total assets	**5,495,113**	**–**	**(2,088)**	**5,493,025**
Current liabilities				
Trade and other payables	1,179,671			1,179,671
Loans and borrowings	278,931			278,931
Obligation under finance leases	221			221
Current taxation	11,853			11,853
	1,470,676			1,470,676
Net current assets	1,479,507	(347,800)	–	1,131,707

	The Group as at 30 June 2015	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (1))	*(Note (2))*	*(Note (3))*	
Total assets less current liabilities	4,024,437	–	(2,088)	4,022,349
Non-current liabilities				
Other payables	18,360			18,360
Obligation under finance leases	684			684
Loans and borrowings	397,286			397,286
Corporate bonds payable	113,633			113,633
Deferred tax liabilities	5,656			5,656
	535,619			535,619
Net assets	**3,488,818**	**–**	**(2,088)**	**3,486,730**
Equity				
Share capital	3,608,604			3,608,604
Reserves	(119,786)		(2,088)	(121,874)
Total equity	**3,488,818**	**–**	**(2,088)**	**3,486,730**

3 Notes to the unaudited pro forma financial information of the Enlarged Group

(1) The amounts are extracted from the unaudited consolidated financial information of the Group for the six months ended 30 June 2015, as set out in the published 2015 interim financial report of the Company.

(2) The adjustments represent the payment of the consideration for the Proposed Acquisition, which amounts to RMB347,800,000 to be satisfied in cash, pursuant to the Purchase Agreement.

According to the Purchase Agreement, the Group proposed to acquire 44.587% equity interest in the Target Company and will have significant influence over the Target Company upon completion of the Proposed Acquisition. The Acquisition is accounted for as acquisition of an associate in accordance with Hong Kong Accounting Standard ("HKAS") 28, *Investments in Associates and Joint Ventures*.

	Notes	RMB'000
Consideration to be satisfied in cash		347,800
Less: The Group's 44.587% share of the fair value of identified assets acquired and liabilities assumed	(i)	268,720
Goodwill arising from the Proposed Acquisition	(ii)	79,080

(i) The Group's 44.587% share of the fair value of identifiable net assets of the Target Group represents:

	RMB'000
Net assets value of the Target Group before the Proposed Acquisition	544,527
Fair value adjustment on the Target Group's net assets	95,212
Effect of deferred tax liabilities estimated at corporate income tax rate applicable to the respective entities	(14,737)
Total fair value of identifiable net assets of the Target Group	625,002
Non-controlling interests in the Target Group	(22,315)
Total fair value of identifiable net assets of the Target Group attributable to the equity shareholders of the Target Company	602,687
The Group's 44.587% share of the fair value of identified assets acquired and liabilities assumed	268,720

The Group's 44.587% share of the fair value of identifiable net assets of the Target Group as at the acquisition date is estimated by reference to the valuation reports issued by Grant Sherman Appraisal Limited.

The fair value adjustment on the Target Group's net assets of RMB95,212,000 refers to the assets valuation appreciation on the land parcels located in the PRC owned by the Target Group (detailed in Appendix V) and the office buildings, manufacturing plants and other structures situated on these land parcels, which is determined based on the valuation of these assets of RMB179,500,000 as estimated by Grant Sherman Appraisal Limited over their carrying amounts of RMB84,288,000.

The amounts of fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Proposed Acquisition. Consequently, the carrying amount of the interest in an associate and the share of profit or loss of the associate for subsequent periods, will likely result in different amounts than those stated in this unaudited pro forma financial information.

(ii) According to HKAS 28, on acquisition of the interest in an associate, goodwill relating to an associate, being the excess of the purchase consideration over the fair value of the net identifiable assets of the Target Group, is included in the carrying amount of the interest in an associate.

According to HKAS 28, HKAS 39, *Financial Instruments: Recognition and Measurement*, and HKAS 36, *Impairment of Assets*, after initial recognition, the entire carrying amount of the interest in an associate is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount, whenever there is indicator that the interest in an associate may be impaired.

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 HKAS 36. The Directors have assessed the impairment of the interest in an associate by considering whether the carrying amount of the interest in an associate will exceed its recoverable amount, being higher of value in use and fair value less costs to sell, as at 30 June 2015 for the unaudited pro forma consolidated statement of assets and liabilities as if the Proposed Acquisition had been completed on 30 June 2015. The Directors concludes there is no impairment on the interest in an associate.

The Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the unaudited pro forma financial information to assess the impairment of the investment in the Target Company in the future financial period ends.

(3) The adjustment reflects the elimination of the transactions between the Group and the Target Group upon the completion of the Proposed Acquisition.

(4) No adjustment has been made to the unaudited pro forma financial information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the directors determined that such costs are insignificant.

(5) No adjustment has been made to the unaudited pro forma financial information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2015.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF KONG SUN HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 and related notes as set out in Part A of Appendix IV to the circular dated 30 December 2015 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 44.587% equity interest in Zhongke Hengyuan Technology Co., Ltd. (the "Proposed Acquisition") on the Group's assets and liabilities as at 30 June 2015 as if the Proposed Acquisition had taken place at 30 June 2015. As part of this process, information about the Group's assets and liabilities as at 30 June 2015 has been extracted by the Directors from the interim report of the Group for the six months ended 30 June 2015, on which no review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2015 would have been as presented.

Reporting Accountants' Responsibilities (continued)

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

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

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

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

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 October 2015 of the property interests to be held by the Group in the People's Republic of China.

GRANT SHERMAN

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

30 December 2015

The Directors
Kong Sun Holdings Limited
Unit 3601, 36/F, China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests to be held by Kong Sun Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 October 2015 ("date of valuation") for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

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

In valuing the property interests in Group I which are to be held by the Group for further development and Group III which are to be held by the Group for investment purpose in the PRC, we have adopted the direct comparison approach and made reference to the recent transaction evidences for similar premises in the proximity. Adjustments have been made for the differences between the comparable properties and the subject properties.

In valuing the property interests in Group II which are to be held by the Group for self-occupation in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land prices in Yiyang and Baotou Cities and the sales evidence as available to us in the localities. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of extracts of title documents relating to the properties in the PRC. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, Jun He Law Offices.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exteriors, and where possible, the interiors of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exits, unless noted in the valuation certificates.

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

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 31 October 2015 was HK$1 : RMB0.8149. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our summary of valuation together with the valuation certificates.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMTIED

Lawrence Chan Ka Wah
MRICS MHKIS RPS (GP) MHIREA
Director
Real Estate Group

Note: Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 12 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

SUMMARY OF VALUATION

	Property	Market Value in existing state as at 31 October 2015	Interest to be attributable to the Group	Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015
Group I – Property interest to be held by the Group in the PRC for future development purpose				
1.	A land parcel located on the eastern side of Xitong Road, Yunxi Economic Development Centre, Miyun Economic Development Zone, Beijing City, the PRC	RMB130,400,000 (equivalent to approximately HK$160,000,000)	44.587%	RMB58,100,000 (equivalent to approximately HK$71,300,000)
Group II – Property interests to be held by the Group in the PRC for self-occupation purpose				
2.	A land parcel, buildings and structures located at No. 5 Qingshan Road, Baotou Manufacturing Zone, Baotou City, Inner Mongolia Autonomous Region, the PRC	RMB14,100,000 (equivalent to approximately HK$17,300,000)	44.587%	RMB6,300,000 (equivalent to approximately HK$7,700,000)
3.	A land parcel, buildings and structures located at Nanmutang Village, Xielingang Town, Chaoyang District, Yiyang City, Hunan Province, the PRC	RMB35,000,000 (equivalent to approximately HK$43,000,000)	44.587%	RMB15,600,000 (equivalent to approximately HK$19,200,000)
	Sub-Total	RMB49,100,000 (equivalent to approximately HK$60,300,000)		RMB21,900,000 (equivalent to approximately HK$26,900,000)

	Property	Market Value in existing state as at 31 October 2015	Interest to be attributable to the Group	Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015
Group III – Property interest to be held by the Group in the PRC for investment purpose				
4.	Unit 1511, Level 15, Chengshi Dongli, No. 57 Shaoshan Road, Yuhua District, Changsha City, Hunan Province, the PRC	No commercial Value	44.587%	No commercial Value
	Grand Total	**RMB179,500,000 (equivalent to approximately HK$220,300,000)**		**RMB80,000,000 (equivalent to approximately HK$98,200,000)**

VALUATION CERTIFICATE

Group I – Property interest to be held by the Group in the PRC for further development purpose

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2015
1.	A land parcel located on the eastern side of Xitong Road, Yunxi Economic Development Centre, Miyun Economic Development Zone, Beijing City, the PRC	The property comprises a parcel of vacant land with a site area of approximately 127,208.431 sq.m. The land use rights of the property were granted for a term expiring on 13 May 2063 for industrial use.	The property was a clear site as at the date of valuation.	RMB130,400,000 (equivalent to approximately HK$160,000,000) **Interest to be attributable to the Group** 44.587% **Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015** RMB58,100,000 (equivalent to approximately HK$71,300,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: 110228013B0046) entered into between the State-owned Land Resources Bureau of Miyun County of Beijing City (Party A) and Zhongke Hengyuan Technology Co., Ltd. (Party B) dated 14 May 2013, the land use rights of the property with a site area of approximately 127,208.431 sq.m. were granted from Party A to Party B for a term of 50 years commencing on the date of the contract at a consideration of RMB61,750,000 for industrial use. The relevant development limitations of the land parcel of the property are summarized as below:

Permitted Land Use	:	Industrial
Plot Ratio	:	Less than or equal to 1.3
Height Restriction	:	Less than or equal to 24 m
Total Gross Floor Area	:	Less than or equal to 165,371 sq.m.
Site Coverage	:	Less than or equal to 40%
Greenery Ratio	:	Not less than 15%

2. Pursuant to a State-owned Land Use Certificate (Document No.: Jingmi Guo Yong (2013 Chu) No. 00100), the land use rights of the property with a site area of approximately 127,208.431 sq.m. were granted to Zhongke Hengyuan Technology Co., Ltd. for a term expiring on 13 May 2063 for industrial use.

3. The Property was inspected by our Mr. Cris Chan Kwan Lok (BSc) on 16 November 2015.

4. According to the information provided by the Company, Zhongke Hengyuan Technology Co., Ltd. is a company established under the laws of the PRC.

5. The property is situated in the Miyun Economic Development Zone, buildings in the locality are low to medium rise industrial complexes mainly occupied for light manufacturing businesses. It takes about 15-minute driving distance to the downtown of Miyun County and takes about an hour driving distance to Beijing downtown. Taxis and buses are accessible to the property.

6. The average unit price of similar industrial land parcel in the locality as at the date of valuation is in the range of RMB400 per sq.m. to RMB750 per sq.m.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jun He Law Offices, which contains, inter alia, the following information:

   (a) The land use rights of the property were granted to Zhongke Hengyuan Technology Co., Ltd., who is entitled to occupy, transfer, lease and mortgage the property; and

   (b) The property is subject to a mortgage in favour of Bank of Beijing Co., Ltd. (Miyun Branch) for a maximum loan amount of RMB90,000,000.

VALUATION CERTIFICATE

Group II – Property interests to be held by the Group in the PRC for self-occupation purpose

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2015
2.	A land parcel, buildings and structures located at No. 5 Qingshan Road, Baotou Manufacturing Zone, Baotou City, Inner Mongolia Autonomous Region, the PRC	The property comprises a parcel of land together with 2 single to 3-storey buildings completed in about 2009 erected thereon. The site area and total gross floor area of the property are approximately 36,012.27 sq.m. and 5,082.14 sq.m. respectively. The land use rights of the property were granted for a term expiring on 22 February 2062 for industrial use.	The property was owner-occupied for industrial and ancillary uses as at the date of valuation.	RMB14,100,000 (equivalent to approximately HK$17,300,000) **Interest to be attributable to the Group** 44.587% **Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015** RMB6,300,000 (equivalent to approximately HK$7,700,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: (Meng) 0008370) entered into between the State-owned Land Resources Bureau of Baotou City (Party A) and Inner Mongolia Zhongke Hengyuan New Energy Science and Technology Co., Ltd. (Party B) dated 22 February 2012, the land use rights of the property with a site area of approximately 36,012.27 sq.m. were granted from Party A to Party B for a term of 50 years commencing on the date of the handover of the land parcel of the property at a consideration of RMB9,368,231.92 for industrial use. The relevant development limitations of the land parcel of the property are summarized as below:

Permitted Land Use	:	Industrial
Plot Ratio	:	Less than or equal to 1
Height Restriction	:	Less than or equal to 24 m
Site Coverage	:	Less than or equal to 42%
Greenery Ratio	:	Not less than 20%

2. Pursuant to a State-owned Land Use Certificate (Document No.: Bao Guo Yong (2012) No. 400008), the land use rights of the property with a site area of approximately 36,012.27 sq.m. were granted to Inner Mongolia Zhongke Hengyuan New Energy Science and Technology Co., Ltd. for a term expiring on 22 February 2062 for industrial use.

3. According to the information provided by the Company, the property comprises 2 single to 3-storey buildings completed in about 2009 with a total gross floor area of approximately 5,082.14 sq.m. without Building Ownership Certificates.

4. In the course of our valuation, we have ascribed no commercial value to the buildings stated in Note 3 due to the absence of the Building Ownership Certificates, hence they are not entitled to be transferred, leased and mortgaged.

   However, for indicative purpose, the depreciated replacement costs of the buildings of the property as at the date of valuation is RMB6,700,000 (equivalent to approximately HK$8,200,000) by assuming that the buildings have obtained the relevant title documents and are legal transferrable in the market.

5. The Property was inspected by our Mr. Cris Chan Kwan Lok (BSc) on 17 November 2015, the external and internal conditions of the buildings of the property were reasonable.

6. According to the information provided by the Company, Inner Mongolia Zhongke Hengyuan New Energy Science and Technology Co., Ltd. is a company established in the PRC which is a wholly-owned subsidiary of Zhongke Hengyuan Technology Co., Ltd.

7. The property is situated along Qingshan Road, buildings in the locality are low to medium rise industrial complexes mainly occupied for light and heavy manufacturing businesses. It takes about 15-minute driving distance to Baotou downtown. Taxis and buses are accessible to the property.

8. The average unit price of similar industrial land parcel in the locality as at the date of valuation is in the range of RMB350 per sq.m. to RMB400 per sq.m..

9. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jun He Law Offices, which contains, inter alia, the following information:

   (a) the land use rights of the property were granted to Inner Mongolia Zhongke Hengyuan New Energy Science and Technology Co., Ltd., who is entitled to occupy, transfer, lease and mortgage the land portion of the property;

   (b) The buildings stated in Note 3 is entitled to be transferred, leased and mortgaged once the relevant Building Ownership Certificates were obtained; and

   (c) The property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2015
3.	A land parcel, buildings and structures located at Nanmutang Village, Xielingang Town, Chaoyang District, Yiyang City, Hunan Province, the PRC	The property comprises a parcel of land together with 8 single to 3-storey buildings completed in between 2008 and 2014 erected thereon. The site area and total gross floor area of the property are approximately 64,725.44 sq.m. and 12,684.20 sq.m. respectively. The land use rights of the property were granted for a term expiring on 27 December 2057 for industrial use.	The property was owner-occupied for industrial and ancillary uses as at the date of valuation.	RMB35,000,000 (equivalent to approximately HK$43,000,000) **Interest to be attributable to the Group** 44.587% **Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015** RMB15,600,000 (equivalent to approximately HK$19,200,000)

Notes:

1. Pursuant to a Transaction Confirmation Contract (Document No.:Gua Zhen Zi (2007) No.48) entered into between the State-owned Land Resources Bureau of Yiyang City (Party A) and Hunan Zhongke Hengyuan Wind Power Industry Technology Co., Ltd. (now known as Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd. (Party B) dated 27 December 2007, the land use rights of the property with a site area of approximately 64,725.44 sq.m. were granted from Party A to Party B for a term of 50 years commencing on the date of the handover of the land parcel of the property at a consideration of RMB13,500,000.00 for industrial use. The relevant development limitations of the land parcel of the property are summarized as below:

Permitted Land Use	:	Industrial
Plot Ratio	:	Less than or equal to 1.2
Site Coverage	:	Less than or equal to 40%
Greenery Ratio	:	Not less than 30%

2. Pursuant to a State-owned Land Use Certificate (Document No.: Yi Guo Yong (2013) No. D01975), the land use rights of the property with a site area of approximately 64,725.44 sq.m. were granted to Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd. for a term expiring on 27 December 2057 for industrial use.

3. According to 3 Building Ownership Certificates, the ownerships of 3 buildings of the property with a total gross floor area of approximately 9,097.49 sq.m. are vested in Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd.. The particulars are as follows:

Building Ownership Certificates *(Documents Nos.)*	**Designed Use**	**Approximate Gross Floor Area** *(sq.m.)*	**Year of Completeion**
Yi Fang Quan Zheng Chao Yang Zi No. 713008492	Composite Building	1,637.15	2008
Yi Fang Quan Zheng Chao Yang Zi No. 713008493	Workshop	5,800.38	2008
Yi Fang Quan Zheng Chao Yang Zi No. 713008490	Office	1,659.96	2010
	Total	**9,097.49**	

4. According to the information provided by the Company, the property comprises 5 single to 3-storey buildings completed in between 2010 and 2014 with a total gross floor area of approximately 3,591.71 sq.m. without Building Ownership Certificates.

5. In the course of our valuation, we have ascribed no commercial value to the buildings stated in Note 4 due to the absence of the Building Ownership Certificates, hence they are not entitled to be transferred, leased and mortgaged.

   However, for indicative purpose, the depreciated replacement costs of these buildings of the property as at the date of valuation is RMB2,600,000 (equivalent to approximately HK$3,200,000) by assuming that the buildings have obtained the relevant title documents and are legal transferrable in the market.

6. The property was inspected by Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS (GP) MHIREA) and Mr Lee Tung Sing (MSc) on 19 November 2015, the external and internal conditions of the property were reasonable.

7. According to the information provided by the Company, Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd. is a company established in the PRC and is wholly-owned by Zhongke Hengyuan Technology Co., Ltd.

8. The property is situated at the junction between Gaoxin Road and Nanzhu Road, buildings in the locality are low to medium rise industrial complexes mainly occupied for light manufacturing businesses. It takes about 10-minute driving distance to Yiyang downtown. Taxis and buses are accessible to the property.

9. The average unit price of similar industrial land parcel in the locality as at the date of valuation is in the range of RMB300 per sq.m. to RMB400 per sq.m..

10. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jun He Law Offices, which contains, inter alia, the following information:

    (a) The land use rights of the property were granted to Zhongke Hengyuan (Yiyang) New Energy Science and Technology Co., Ltd. and its subsidiaries, who is entitled to occupy,, transfer, lease and mortgage the land use rights of the property;

    (b) The current registered owner of the buildings stated in Note 3 of the property is Zhongke Hengyuan (Yiyang) NewEnergy Science and Technology Co., Ltd., who is entitled to occupy, transfer, lease and mortgage these buildings of the property;

    (c) The buildings stated in Note 4 are entitled to be transferred, leased and mortgaged once the relevant Building Ownership Certificates were obtained; and

    (d) The property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the property.

VALUATION CERTIFICATE

Group III – Property interest to be held by the Group in the PRC for investment purpose

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 October 2015
4.	Unit 1511, Level 15 Floor, Chengshi Dongli No. 57 Shaoshan Road, Changsha City, Yuhua District, Hunan Province, the PRC	The property comprises a unit on Level 15 of a 26-storey (including a single-storey basement) residential/commercial uses building completed in about 2006. The property has a gross floor area of approximately 114.64 sq.m.. The land use rights of the property were granted for a term expiring on 19 May 2055 for commercial/ residential uses.	The property was vacant as at the date of valuation.	No Commercial Value **Interest to be attributable to the Group** 44.587% **Market Value in existing state to be attributable to the Group after Completion as at 31 October 2015** No Commercial Value

Notes:

1. Pursuant to a Commodity House Sales and Purchase Agreement entered into by and between Qinlong (Hunan) Real Estate Development Co., Ltd. (Party A) and Hunan Zhongke Hengyuan Technology Co., Ltd. (now known as Zhongke Hengyuan Technology Co., Ltd.) (Party B) dated 21 October 2008. the property with a gross floor area of approximately 114.64 sq.m., was transferred from Party A to Party B at a consideration of RMB678,000.

2. In the course of our valuation, we have ascribed no commercial value to the property due to the absence of the Building Ownership Certificate. For indicative purpose, the market value of the property is RMB 660,000 (equivalent to approximately HK$810,000) as at the date of valuation by assuming it has obtained the relevant legal title documents and is freely transferable in the market.

3. The property was inspected by Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS (GP) MHIREA) and Mr Lee Tung Sing (MSc) on 19 November 2015, the external and internal conditions of the property were reasonable.

4. According to the information provided by the Company, Zhongke Hengyuan Technology Co., Ltd. is a company established under the laws of the PRC.

5. The property is situated along Shaoshan Road, buildings in the locality are medium to high-rise commercial buildings and residential buildings. It takes about 10-minute driving distance to Changsha Station. Taxis and buses are accessible to the property.

6. The average unit price of similar residential/commercial premises in the locality as at the date of valuation is in the range from RMB4,900 per sq.m. to RMB6,500 per sq.m. in gross floor area. The average monthly unit rent in gross floor area of similar residential/commercial premises in the locality as at the date of valuation is in the range from RMB18 per sq.m. to RMB20 per sq.m. (exclusive of management fee and other operating outgoings).

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Jun He Law Offices, which contains, inter alia, the following information:

   (a) The property is entitled to be transferred, leased and mortgaged once the relevant Building Ownership Certificate was obtained; and

   (b) The property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the property.

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 Company. 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. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or 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 (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

(i) Interests in underlying Shares

Name of Director	Nature of interest	Date of share options granted *(Note 1)*	Number of share options outstanding as at the Latest Practicable Date	Approximate percentage of shareholding upon fully exercise of share options as at the Latest Practicable Date
Liu Wen Ping	Beneficial owner	8 October 2014	60,000,000	0.61%
Chang Hoi Nam	Beneficial owner	8 October 2014	2,000,000	0.02%
Ma Ji	Beneficial owner	18 June 2015	4,000,000	0.04%
Chang Tat Joel	Beneficial owner	11 November 2014	2,000,000	0.02%
Miu Hon Kit	Beneficial owner	8 October 2014	1,000,000	0.01%
Wang Haisheng	Beneficial owner	8 October 2014	1,000,000	0.01%
Lu Hongda	Beneficial owner	11 November 2014	1,000,000	0.01%

Note 1:

The share options were granted pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company pursuant to a shareholders' resolution of the Company passed on 22 July 2009. The periods and the manner in which the granted share options could be exercised under the Share Option Scheme are as follows:

Exercise period	Number of options exercisable
from 1st anniversary of the date of grant to 2nd anniversary of the date of grant	Up to 25% of the total number of granted options
from 2nd anniversary of the date of grant to 3rd anniversary of the date of grant	Up to 25% of the total number of granted options
from 3rd anniversary of the date of grant to 4th anniversary of the date of grant	Up to 25% of the total number of granted options
from 4th anniversary of the date of grant to 5th anniversary of the date of grant	Up to 25% of the total number of granted options

As at the Latest Practicable Date, save as disclosed above, none of the Directors and the chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interest

As at the Latest Practicable Date, so far as is known to any Directors or the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO 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 any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of interest	Number of Shares or underlying Shares held	Percentage of Shareholding[3]
Golden Port Holdings Limited	Deemed interest in controlled corporation[1]	5,855,820,000	59.83%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation[1]	5,855,820,000	59.83%
Pohua JT Private Equity Fund L.P.	Beneficial owner[1]	5,855,820,000	59.83%
Zhejiang Province Finance Development Company* 浙江省財務開發公司	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Zhejiang Province Financial Holding Company Limited* 浙江省金融控股公司	Deemed interest in Controlled corporation[2]	1,125,000,000	11.49%
Caitong Securities Co., Limited	Deemed interest in Controlled corporation[2]	1,125,000,000	11.49%
Caitong Securities (Hong Kong) Co., Limited	Deemed interest in Controlled corporation[2]	1,125,000,000	11.49%
Caitong International Asset Management Co., Limited	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Caitong International Capital Management Limited	Beneficial owner[2]	1,125,000,000	11.49%

* *The English translation of these companies' names is for reference only. The official names of these companies are in Chinese.*

Notes:

(1) Pohua JT Capital Partners Limited is the general partner of Pohua JT Private Equity Fund L.P.. Pohua JT Capital Partners Limited is owned as to 49% by Golden Port Holdings Limited. Accordingly, each of Golden Port Holdings Limited and Pohua JT Capital Partners Limited is deemed to be interested in an aggregate of 5,855,820,000 shares held by Pohua JT Private Equity Fund L.P..

(2) Caitong International Capital Management Limited is wholly-owned by Caitong International Asset Management Co., Limited which in turn is wholly-owned by Caitong Securities (Hong Kong) Co., Limited. Caitong Securities Co., Limited owned 100% equity interests of Caitong Securities (Hong Kong) Co., Limited, which in turn is owned as to 36.6% by Zhejiang Province Financial Holding Company Limited. Zhejiang Province Financial Holding Company Limited is wholly-owned by Zhejiang Province Finance Development Company. Accordingly, each of Zhejiang Province Finance Development Company, Zhejiang Province Financial Holding Company Limited, Caitong Securities Co., Limited, Caitong Securities (Hong Kong) Co., Limited and Caitong International Asset Management Co., Limited is deemed to be interested in an aggregate of 1,125,000,000 shares held by Caitong International Capital Management Limited.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as known to any Director or the chief executive of the Company, no other person (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO 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 was directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, no Director and/or his/her respective close associates had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

6. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors are aware, none of the Directors nor their respective close associates is and was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

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

Name	Qualifications
Grant Sherman Appraisal Limited	Professional Valuers
KPMG	Certified Public Accountants

As at the Latest Practicable Date, each of the experts named above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

9. MATERIAL CONTRACTS

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

(a) the Acquisition Agreement;

(b) the acquisition agreements dated 23 December 2015 between Kong Sun Yongtai, as purchaser, 江蘇超先電力有限公司 (Jiangsu Chaoxian Power Company Limited*) and its subsidiaries as vendors, pursuant to which Kong Sun Yongtai agreed to acquire the 100% equity interests of 合肥流遠光伏發電投資有限公司 (Hefei Liuyuan Photovoltaic Power Generation Investment Company Limited*), 六安旭強新能源工程有限公司 (Luan Xuqiang New Energy Engineering Company Limited*) and 宿州旭強新能源工程有限公司 (Suzhou Xuqiang New Energy Engineering Company Limited*), at a total consideration of RMB480,500,000;

(c) the acquisition agreements dated 15 December 2015 between Kong Sun Yongtai, as purchaser, 中利科技集團股份有限公司 (Zhongli Sci-Tech Group Company Limited*) and its subsidiaries as vendors, pursuant to which Kong Sun Yongtai agreed to acquire the 100% equity interests of 貴溪市中元太陽能電力有限公司 (Guixi City Zhongyuan Solar Power Company Limited*) and 湖州祥暉光伏發電有限公司 (Huzhou Xianghui Photovoltaic Power Generation Company Limited*), at a total consideration of RMB1,285,000,000;

(d) the strategic co-operation agreement dated 20 November 2015 with 華夏金融租賃有限公司 (Huaxia Financial Leasing Co., Ltd.*) ("Huaxia") pursuant to which Huaxia has in principle agreed to provide financing, of up to an aggregate amount of RMB3 billion, to the Group for the development of and future acquisitions of photovoltaic power system projects by the Group, subject to signing definitive agreements with respect to the specific projects. On 12 November 2015 and 20 November 2015, the Group had entered into three finance lease agreements with Huaxia in an aggregate finance lease amount of RMB480 million under the strategic co-operation agreement;

(e) the loan agreement dated 19 November 2015 between the Company and Pohua, pursuant to which Pohua agreed to grant the a 3 year term loan in the aggregate principal amount of HK$1,500,000,000 to the Company at an interest rate of 5.8% per annum;

(f) the referral agreement dated 28 April 2015 between the Company and China Times Securities Limited (the "Referral Agent") pursuant to which the Referral Agent agreed to act as a referral agent for the purposes of referring subscribers to the Company, on a best effort basis, for the issue of the Bonds in an aggregate principal amount of up to HK$400,000,000. A supplemental referral agreement (the "Supplemental Referral Agreement") dated 30 October 2015 between the Company and the Referral Agent pursuant to which the parties agreed to extend the agreement for another three months and increase the aggregate principal amount to HK$550,000,000);

(g) the cooperative framework agreement dated 9 October 2015 between Kong Sun Yongtai (the "Purchaser"), 無錫聯盛合衆新能源有限公司 (Wuxi Unisun Energy Co., Ltd.*) ("Wuxi Unisun") and 江蘇天海光電科技有限公司 (Jiangsu Tihein Photovoltaic Technology Co., Ltd) ("Jiangsu Tihein", together with Wuxi Unisun, the "Vendors"), pursuant to which the Purchaser agreed to acquire from the Vendors the entire equity interests in 威縣天海光伏發電有限公司 (Weixian Tihein Photovoltaic Energy Co., Ltd.*) at the consideration of RMB255,000,000;

(h) the cooperation agreement dated 2 October 2015 between Kong Sun Yongtai, 新疆中興能源有限公司 (Xinjiang Zhongxing Energy Co., Ltd.*) and 江天新能源貿易(揚州)有限公司 (Kong Sun New Energy Trading (Yangzhou) Co., Ltd.*) pursuant to which Kong Sun Yongtai will acquire the entire registered capital and assume the debts of 阿圖什市華光能源有限公司 (Artux Huaguang Energy Co., Ltd.*) and 阿圖什市興光能源有限公司 (Artux Xingguang Energy Co., Ltd.*) from 新疆中興能源有限公司 (Xinjiang Zhongxing Energy Co., Ltd.*); and 江天新能源貿易(揚州)有限公司 (Kong Sun New Energy Trading (Yangzhou) Co., Ltd.*), a wholly-owned subsidiary of the Company, would takeover the purchase and transfer of the materials and equipment required for the two 30 MW photovoltaic power stations being developed by the 阿圖什市華光能源有限公司 (Artux Huaguang Energy Co., Ltd.*) and 阿圖什市興光能源有限公司 (Artux Xingguang Energy Co., Ltd.*) in Artux, Xinjiang Province;

(i) the memorandum of understanding dated 30 September 2015 between the Company and 中建投信託有限責任公司 (JIC Trust Co., Ltd.*) pursuant to which the parties agreed to identify certain photovoltaic power system projects of the Group located in Gansu, Xinjiang and Shaanxi provinces, the PRC as the target projects (collectively, the "Target PV Projects") and to cooperate with each other for the development of the Target PV Projects, and establish one or more trust(s) for the purpose of providing financing, up to an amount of RMB1 billion, to the Company for the purpose of the development of the Target PV Projects;

(j) the cooperation agreement dated 22 July 2015 by and among Kong Sun New Energy (Hong Kong) Limited (江山新能源(香港)有限公司), 湖北京山輕工機械股份有限公司 (J.S. Corrugating Machinery Co., Ltd), 深圳市雄韜電源科技股份有限公司 (Shenzhen Centre Power Tech Co., Ltd.), BD Technology Limited and 深圳雄韜融資租賃有限公司 (Shenzhen XiongTao RongZi ZuLin Co., Ltd.*) in relation to the cooperation of the development for 深圳雄韜融資租賃有限公司 (Shenzhen XiongTao RongZi ZuLin Co., Ltd.*);

(k) the equity transfer agreement dated 22 July 2015 by and among Kong Sun New Energy (Hong Kong) Limited (江山新能源(香港)有限公司) and 深圳市雄韜電源科技股份有限公司 (Shenzhen Centre Power Tech Co., Ltd.) in relation to the acquisition of 30% equity interests in 深圳雄韜融資租賃有限公司 (Shenzhen XiongTao RongZi ZuLin Co., Ltd.*) from 深圳市雄韜電源科技股份有限公司 (Shenzhen Centre Power Tech Co., Ltd.) by Kong Sun New Energy (Hong Kong) Limited (江山新能源(香港)有限公司);

(l) the equity transfer agreement dated 22 July 2015 by and among Kong Sun New Energy (Hong Kong) Limited (江山新能源(香港)有限公司) and BD Technology Limited in relation to the acquisition of 25% equity interests in 深圳雄韜融資租賃有限公司 (Shenzhen XiongTao RongZi ZuLin Co., Ltd.*) from BD Technology Limited by Kong Sun New Energy (Hong Kong) Limited (江山新能源(香港)有限公司);

(m) the legally binding memorandum of understanding dated 12 July 2015 entered into between the Company and all of the shareholders of the Target Company in relation to the Acquisition;

(n) the sale and purchase agreement dated 15 June 2015 between Lead Power Investments Limited and Marvel Star Group Limited in relation to the sale of the 100,000 shares in Coast Holdings Limited to Marvel Star Group Limited, completion took place on 30 June 2015;

(o) the strategic cooperation agreement dated 7 June 2015 between the Company, 江蘇綠能寶融資租賃有限公司 (Jiangsu Solarbao Finance Lease Co., Ltd.*) ("Solarbao") pursuant to which Solarbao agreed to provide finance lease services to the photovoltaic power system projects of the Group in the People's Republic of China;

(p) the contract for equity transaction (產權交易合同) dated 5 June 2015 in respect of the acquisition of the 蘭州太科光伏電力有限公司 (Lanzhou Taike Photovoltaic Power Co., Ltd.*) from 上海航天汽車機電股份有限公司 (Shanghai Aerospace Automobile Electromechanical Co., Ltd.*), under the bid (listing-for-sale) process entered into between 上海航天汽車機電股份有限公司 (Shanghai Aerospace Automobile Electromechanical Co., Ltd.*) and Kong Sun Yongtai;

(q) the memorandum of understanding dated 26 May 2015 between Kong Sun Yongtai and 正信光伏有限公司 (Zhengxin Photovoltaic Company Limited*) ("Zhengxin") pursuant to which Kong Sun Yongtai will acquire the photovoltaic power projects being developed and/or owned by Zhengxin in Xinjiang, Inner Mongolia, Hubei, Shanxi, Shandong, Henan, Liaoning and Anhui provinces in the PRC with an aggregated installed capacity of 324 mega-watts. Kong Sun Yongtai will conduct due diligence on the relevant power projects upon their completion of development and connection to the power grid;

(r) the acquisition agreement dated 5 May 2015 between Kong Sun Yongtai, as purchaser, 江蘇億晶光電能源有限公司 (Jiangsu Yijing Solar Energy Resources Co., Ltd.*), as vendor, pursuant to which Kong Sun Yongtai agreed to acquire from 江蘇億晶光電能源有限公司 (Jiangsu Yijing Solar Energy Resources Co., Ltd.*) the entire equity interest in 和靜旭雙太陽能科技有限公司 (Hejing Xushuang Photovoltaic Technology Co., Ltd.*) at the consideration of RMB193,600,000;

(s) the memorandum of understanding dated 28 April 2015 between the Company and Smart Capital Investment Co., Ltd. (北京新興嘉本投資管理有限公司) under which Smart Capital Investment Co., Ltd. (北京新興嘉本投資管理有限公司) proposed to, through a private fund managed by it, subscribe for convertible bonds of the Company with an aggregate amount of RMB400 million;

(t) the placing agreement dated 28 April 2015 between the Company as issuer, China International Capital Corporation Hong Kong Securities Limited, First Shanghai Securities Limited, Kingston Securities Limited and UOB Kay Hian (Hong Kong) Limited as placing agents, completion took place on 11 June 2015;

(u) the placing agreement dated 23 March 2015 between the Company, Kingston Securities Limited, Haitong International Securities Company Limited and UOB Kay Hian (Hong Kong) Limited as the placing agents in relation to the placing of 352,000,000 new Shares to not less than six placees at the placing price of HK$1.07 per placing share (the "2015 March Placing"). The 2015 March Placing was completed on 10 April 2015;

(v) the framework agreement dated 18 December 2014 between Kong Sun Yongtai and 世紀金源集團公司 (Century Golden Resources Ltd.) pursuant to which the parties agreed to cooperate on the development of distributed photovoltaic power system projects in the PRC;

(w) the framework agreement dated 3 December 2014 between 禹城航禹太陽能科技有限公司 (Yucheng Hangyu Solar Technology Co., Ltd.*) pursuant to which the parties agreed to cooperate in the development of distributed photovoltaic power system projects in the PRC;

(x) the framework agreement dated 28 November 2014 between the Company and 無錫聯盛合衆新能源有限公司 (Wuxi Liansheng Hezhong New Energy Co., Ltd.*) pursuant to which the parties agreed to cooperate in the development of distributed photovoltaic power system projects in the PRC;

(y) the agreement dated 7 November 2014 between the Company, 中科恒源科技股份有限公司(Zhongke Hengyuan Technology Co., Ltd.*) and 甘肅宏遠光電有限責任公司 (Gansu Hongyuan Solar Electric Co., Ltd.*) in relation to the acquisition of the entire equity interest in 甘肅宏遠光電有限責任公司(Gansu Hongyuan Solar Electric Co., Ltd.*);

(z) the agreement dated 4 November 2014 between the Company, 深圳市洲際通商投資有限公司 (Shenzhen Intercontinental Trading Investment Co., Ltd.*) and 玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Co., Ltd.*) in relation to the acquisition of 81% in the registered capital of 玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Co., Ltd.*);

(aa) the agreement dated 4 November 2014 between the Company, 北京恒源天泰能源科技有限公司 (Beijing Hengyuan Tiantai Energy Technology Co., Ltd.*) and 玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Co., Ltd.*) in relation to the acquisition of 19% in the registered capital of 玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Co., Ltd.*);

(bb) the agreement dated 30 October 2014 between the Company, 北京恒源天泰能源科技有限公司 (Beijing Hengyuan Tiantai Energy Technology Co., Ltd.*), 新疆中科恒源新能源科技有限公司 (Xinjiang Zhongke Hengyuan New Energy Technology Co., Ltd.*) and 哈密朝翔新能源科技有限公司 (Hami Chaoxiang New Energy Technology Co., Ltd.*) in relation to the acquisition of the entire equity interest in 哈密朝翔新能源科技有限公司 (Hami Chaoxiang New Energy Technology Co., Ltd.*);

(cc) the framework agreement dated 24 October 2014 between the Company, Kong Sun Yongtai and 北京龍晋海峰投資管理有限公司 (Beijing Longjin Haifeng Investment Management Co., Ltd.*) ("Longjin Haifeng") pursuant to which the parties agreed to cooperate in the establishment of an investment fund to invest in the photovoltaic power stations projects of the Group in the PRC;

(dd) the framework agreement dated 4 September 2014 between Kong Sun Yongtai and 海潤光伏科技股份有限公司 (Hareon Solar Technology Co., Ltd.*) ("Hareon") pursuant to which the parties agreed to cooperate in the development of photovoltaic power stations in the PRC;

(ee) the agreement dated 7 July 2014 entered into between the Company, 江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Co., Ltd.), a wholly-owned subsidiary of the Company, BYD Auto Industry Co., Ltd. and 榆林市比亞迪新能源有限公司 (Yulin City BYD New Energy Co., Ltd.), pursuant to which Kong Sun New Energy Investment (Yangzhou) Co., Ltd. agreed to acquire from BYD Auto Industry Co., Ltd. the entire equity interest in Yulin City BYD New Energy Co., Ltd., a project company engaged in the development of a 300 MW photovoltaic power station in Shaanxi Province, the PRC, for RMB204,000,000;

(ff) the subscription agreement dated 28 May 2014 between the Company, Pohua JT Private Equity Fund L.P. pursuant to which Pohua JT Private Equity Fund L.P. agreed to subscribe in cash for 6,528,080,000 new Shares (the "Pohua Subscription"). The Pohua Subscription was completed on 8 August 2014;

(gg) the agreement dated 30 April 2014 entered into between, among others, the Company, and the existing shareholders of a project company (the "Project Company") which are independent third parties, whereby the Company agreed to acquire the entire equity interests in the Project Company from the existing shareholders of the Project Company for RMB570,000;

(hh) the framework agreement dated 30 April 2014 entered into between the Company and 合肥聚能新能源科技有限公司 (Hefei Juneng New Energy Technology Co., Ltd.*), whereby the parties agreed to cooperate in the joint development of photovoltaic power stations in Anhui and Yunnan provinces with aggregate capacity of 261 MW;

(ii) the cooperation agreement dated 29 April 2014 entered into between the Company, 張淑蘭 (Zhang Shu Lan) (the "Shareholder"), and 石家莊萬迪能源科技有限公司 (Shijiazhuang Wandi Energy Technology Co Ltd*), and an intermediary agreement with the Shareholder, in relation a proposed acquisition of 50 MW photovoltaic power station in 臨城縣 (Lincheng county) in Hebei province;

(jj) the non-binding memorandum of understanding dated 22 April 2014 entered into between the Company, the sellers which are independent third parties (the "Sellers"), and 埃菲生(玉門)太陽能發電有限責任公司 (Aifeisheng (Yumen) Solar Power Co., Ltd.*) (the "Target Company"), whereby the Company agreed to acquire from the Sellers all the equity interests in the Target Company;

(kk) the memorandum of understanding dated 29 March 2014 (the "MOU") entered into between the Company and Pohua JT Private Equity Fund L.P., as investor (the "Investor"), whereby the Investor proposed to subscribe such number of Shares and/or convertible securities of the Company representing not less than 25% of the issued share capital of the Company as enlarged by the issue and/or conversion at a price of not more than HK$0.36 per Share; and

(ll) the loan agreement dated 28 March 2014 entered into between Kong Sun Finance Limited, an indirect wholly-owned subsidiary of the Company, as lender (the "Kong Sun") and a borrower who is an independent third party (the "Borrower"), whereby Kong Sun agreed to lend to the Borrower a loan in the principal amount of HK$20,000,000 for a period of three months from the date of drawdown at an interest rate of 9% per annum.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Fung Che Wai, Anthony, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants;

(b) The registered office and the principal place of business of the Company is at Unit 3601, 36/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong;

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited; and

(d) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours on any weekday (except for public holidays) at Unit 3601, 36/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM:

(a) the articles of associations of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;

(c) the letter from the Board, the text of which is set out in page 5 to page 28 of this circular;

(d) the valuation report;

(e) the report issued by KPMG relating to the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the report issued by KPMG relating to the unaudited pro-forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(h) the written consents referred to in the paragraph headed "Experts and consents" in this appendix; and

(i) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which have been issued by the Company since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up).

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of Kong Sun Holdings Limited (the "Company") will be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong on 15 January 2016 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolution as the ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 30 December 2015 published by the Company (the "Circular").

"THAT,

i. the Acquisition Agreement (a copy of which has been tabled at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

ii. and any one Director be and is authorised to do all such things and take all such actions as he may consider necessary or desirable to implement and/or give effect to the Acquisition Agreement and all transactions contemplated thereunder."

By order of the Board
Kong Sun Holdings Limited
Liu Wen Ping
Executive Director

Hong Kong, 30 December 2015

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be an individual) to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be lodged with the Company's share registrar, Computershare Hong Kong Investors Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.

3. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the relevant joint holding.

As at the date of this notice, the Board comprises two executive Directors, Mr. Liu Wen Ping and Mr. Chang Hoi Nam, two non-executive Directors, Dr. Ma Ji and Mr. Chang Tat Joel, and three independent non-executive Directors, Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda.