OVERVIEW

We are a leading solar-grade polysilicon producer and PV project contractor, engaging primarily in the upstream and downstream segments of the PV industry in China. According to Frost & Sullivan, in terms of polysilicon production output in 2014, we ranked second in the PRC with a market share of 13.3% and fifth globally with a market share of 6.2%. According to the same source, in 2014, we ranked first among PV project contractors in China (with a market share of 6.3%) in terms of completed PV installed capacity; and we ranked second among global PV project contractors in terms of completed and constructing PV installed capacity.

Our main business segments include:

- ***Polysilicon Production***: We produce and sell solar-grade polysilicon, the main raw material for manufacturing PV products;
- ***Sales of Electricity***: We own a coal-fired power plant which supplies electricity to our polysilicon production and sell its surplus electricity to the local power grid;
- ***Engineering and Construction Contracting***: Operating under the EPC, PC or BT contracting models, we provide comprehensive energy solutions to PV and wind power projects, including engineering design, consultancy, construction, commissioning, as well as operations and maintenance;
- ***Inverter Manufacturing***: We manufacture and sell inverters, which is a key component used in PV projects; and
- ***PV Wafer and Module Manufacturing***: We manufacture PV wafers and sell them to PV cells manufacturers, and we manufacture PV modules primarily for in-house consumption.

We experienced rapid revenue and profit growth during the Track Record Period. Our revenue increased from RMB2,239.8 million in 2012 to RMB7,402.5 million in 2014, while our profit for the year significantly improved from a loss of RMB191.0 million in 2012 to a profit of RMB653.4 million in 2014. In the six months ended June 30, 2015, our revenue further increased to RMB3,950.6 million from RMB2,888.9 million in the same period in 2014, while our profit for the period decreased slightly to RMB270.8 million from RMB272.2 million in the same period in 2014.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

We are a leading solar-grade polysilicon producer and PV project contractor, engaging primarily in the upstream and downstream segments of the PV industry in China.

The PV industry value chain consists primarily of three segments: upstream (polysilicon production), midstream (PV product and equipment manufacturing) and downstream (PV project construction and operations). We enjoy leading market positions in the upstream and downstream segments, which we believe are the most profitable segments in the entire PV industry. According to Frost & Sullivan, in terms of polysilicon production output in 2014, we ranked second in the PRC with a market share of 13.3% and fifth globally with a market share of 6.2%. According to the same source, in 2014 we ranked first among PV project contractors in China (with a market share of 6.3%) in terms of completed PV installed capacity, and we ranked second among global PV project contractors in

terms of completed and constructing PV installed capacity. Our focus on the upstream and downstream segments enabled us to capture significant profit from the PV industry:

Polysilicon Production *(upstream segment):* Our large-scale and state-of-the-art production facilities, coal-fired power plant, leading technologies and enhanced production efficiency allowed us to enjoy substantial economies of scale and cost advantages which helped us maintain a reasonable level of gross profit margin and production utilization, despite declining polysilicon prices. In 2014, our designed polysilicon production capacity of 15,000.0 tonnes and production output of 17,504.9 tonnes both ranked second in the PRC. In 2014, gross margin of our Polysilicon Production was 40.9% and our utilization rate was 116.7%, well above the industry average.

Engineering and Construction Contracting (*downstream segment):* We ranked first among PV project contractors in China, as measured by completed PV installed capacity in 2014, and are capable of providing comprehensive energy solutions to PV and wind power projects, including engineering design, consultancy, construction, commissioning, as well as operations and maintenance. In addition, we design and execute project solutions that are customized around customers' need that can maximize the value while increasing power generation efficiency. Our proven track records and long-term business relationship with various suppliers, customers and local government authorities have won us an increasing number of contracting mandates and gained us the development rights to multiple PV and wind power projects. We completed the construction of PV and wind power projects of 186.2MW, 617.7MW, 822.3MW and 444.7MW, respectively, in 2012, 2013 and 2014 and the six months ended June 30, 2015. During the same periods, the gross profit margin of our Engineering and Construction Contracting business was 11.1%, 8.7%, 11.6% and 10.5%, respectively. As of June 30, 2015, we have abundant reserves of PV and wind power projects, which are available for development under BT or BOO models, including completed projects but not transferred and sold of 109.0MW, projects under construction of 468.0MW, advanced pipeline projects of 2,277.5MW and early pipeline projects of 17,690.0MW. See "*Business—Our Products and Services—Engineering and Construction Contracting—Our Pipeline BT and BOO Projects*."

Thanks to the competitive advantages of our Polysilicon Production and Engineering and Construction Contracting businesses, we have been able to attract substantial business opportunities and achieve higher profit margins.

We also believe that our focus on upstream and downstream segments of the PV industry created significant business synergies. We have established strategic relationships with our customers in our Polysilicon Production and Engineering and Construction Contracting businesses to share greater business opportunities in the entire PV industry value chain. For example, many of our polysilicon customers, including integrated PV products manufacturers in the PRC, are also PV module suppliers to our PV contracting projects. Some other PV enterprises are also PV projects operators who engage us as their general contractors. Some of our BT projects were transferred and sold to large state-owned power generation enterprises in China and certain integrated PV enterprises, whom in turn engage us for developing their PV and wind power projects as the EPC contractor. As we engage customers in different segments of the PV industry, we are able to serve their needs better and enhance customer loyalty. We believe our customer relationships allow us to expand our business further and improve our cost structures.

We benefit from the rapid development of, and government support for, the renewable energy industry in China, particularly in the PV market.

Our business strategy is correlated with the growth and development of the PV and wind power industries. In recent years we have benefited from the rapid development in the renewable energy industries and the PRC government's strong support for these industries. As of December 31, 2014, the total PV installed capacity in the PRC reached 28.1GW, representing a substantial increase of 27.2GW from 2010. During the same period, total wind power installed capacity has increased by 70.1GW, representing an average increase of 17.5GW per year.

In addition, the PRC government has introduced a number of forecast planning and favorable policies to further encourage the development of PV and wind power industries in recent years. For example:

- The installed PV capacity in the PRC is forecasted to reach 100GW by 2020, of which 17.8GW is expected to be installed in 2015.
- The installed wind power capacity in the PRC is forecasted to reach 200GW by 2020.
- The NDRC has divided the PRC into three PV resource zones with on-grid tariffs of RMB0.9/kWh, RMB0.95/kWh and RMB1.0/kWh, respectively. The difference between the on-grid tariff on PV projects and the on-grid tariff on local coal-fired power plants will be subsidized by the renewable energy development fund in China.
- The PRC government has indentified the following nine regions as key wind power bases and developed high-voltage power transmission lines: Jiuquan, Western Inner Mongolia, Eastern Inner Mongolia, Northern Hebei, Jilin, Heilongjiang, Shandong, Hami City and Jiangsu.
- The PRC government has introduced various tax reductions and exemptions and feed-in tariffs for PV and wind power operators. For instance, the Ministry of Finance has issued in September 2013 a Notice on the Value-added Tax Policy for PV Power Generation (關於光伏發電增值税政策的通知) to return 50% of VAT to power producers that use solar energy to generate electricity.
- The PRC government encourages full-amount electricity off-taking and dispatch priority policies for PV and wind power generation.

As the number of PV and wind power projects as well as the installed PV and wind power capacity in the PRC continue to grow rapidly, we believe that the market demand for polysilicon and construction of PV and wind power projects will continue to increase and will benefit our business.

We have advanced production facilities and strong research and development capabilities to further enhance production efficiency and lower production costs.

Our state-of-the-art production facilities, advanced technologies and dedication to research and development enable us to produce polysilicon at premium quality and competitive price:

- Our new production facilities with 12,000-tonne capacity which commenced operations in 2013 use large reduction furnaces with 36 or 48 pairs of rods. Our large-scale production facilities can significantly lower electricity and raw material consumptions. For example, less than 50kWh/kg of electricity consumption is required for our polysilicon reduction,

which is approximately 20% lower than the industry standard, according to Frost & Sullivan;

- We have developed an efficient reduction technology in-house, which has greatly increased our TCS conversion ratio and production volume while lowering electricity consumption. Accordingly, our production output has exceeded our design production capacity since 2013;
- Our chlorosilane recycling technology helps further lower the consumption of silicon and chlorine during production;
- We developed a method known as the "Thermally Coupled Distillation Technology (耦合精餾技術)" together with Tianjin University, which reduces the overall consumption of distilled steam by 40%;
- We acquired the hydrochlorination technology developed by GT Advanced Technologies Limited. The cost of STC/TCS conversion using this technology is much lower than using the traditional thermal hydrogenation method;
- We own a state-level research facility that is responsible for our key research and development projects. We also worked closely with renowned research institutions across the PRC, including the Chinese Academy of Sciences, Tsinghua University and Tianjin University, to further improve our polysilicon production techniques and processes; and
- We had assisted the Materials Branch of the National Standardization Technical Committee for Semiconductor Equipment and Materials in China with formulating industry standards.

As a leading project contractor in the PV industry, we have accumulated ample industry experience and knowledge in PV and wind power engineering technology. We also have a comprehensive supply chain management system and a rich database of equipments and resources, which allowed us to identify and select advanced equipment and to provide secure, stable and reliable design solutions that are customized around customers' need that can maximize the value while increasing generation efficiency. In addition, we operate a number of research centers and advanced testing laboratories in Xinjiang and Xi'an to undertake state or provincial-level research projects which further enhanced our competitive advantages in engineering and construction contracting.

We own a research and development center in Xi'an dedicated to inverters. Through five years of research efforts, we have possessed the key technologies in inverter manufacturing and our inverters are capable of achieving a conversion efficiency of 98.7%, and we have minimized the size of our 500kW inverters by 50% in 2014. In addition, we cooperated with Tsinghua University and Xi'an Jiaotong University in 2014 for grid connection, and are responsible for the "PV Micro-grid Key Technology Research and Core Equipment Development (光伏微電網關鍵技術研究及核心設備研製)" under the National 863 Project.

Given our advanced production facilities and strong research and development capabilities, we believe that we can continue to improve our production efficiency and product quality and increase our market share.

Our strategic geographical location and power self-sufficiency allow us to have competitive cost advantages.

We are headquartered in Xinjiang, a Northwestern region in China, where coal resources are abundant. As production of polysilicon consume significant amount of electricity, we have, in February 2013, commissioned our coal-fired power plant with an installed capacity of 700.0MW to power our polysilicon production as in-house electricity generation adds greater stability to our operations and predictability in our cost structure. In addition, local coal prices in Xinjiang are lower than the national average. In 2014, our electricity costs are over 40% lower than otherwise purchasing electricity from the open market in Xinjiang for industrial use. These combined advantages have provided us with significant cost saving in polysilicon production.

In addition to cost advantages, our strategic location in Xinjiang offers additional benefits. Most of the prominent sites for PV and wind power projects in China lie in Xinjiang and the neighboring provinces. Our headquarters and polysilicon plant are both located in Xinjiang and we had 15 years of operating history in Xinjiang, which allowed us to enjoy geographic advantages in acquiring PV and wind power resources in Xinjiang compared to other PRC enterprises based elsewhere.

We have visionary management team and skilled professional staff, supported by strategic investors.

We have a senior management team with extensive experiences and excellent track records in PV and wind power industries. Our senior management has an average working experience of over 15 years in various segments of the PV and wind power industry, from management and finance to production and engineering. Under the leadership of our Chairman and other senior management members, we have been able to follow the development trends in the PV industry and timely seize business opportunities. For instance, large-scale PV projects in China were rare in 2009 and we became one of the few general EPC contractors for PV projects after we won multiple EPC contracts in the second batch of PV concession projects in China, which enabled us to gain first-mover advantage on the contracting of large-scale PV projects in China. Since then, we have been able to seize the opportunities in the fast-growing PV market and devoted substantial efforts to acquire the development rights for PV and wind power projects which we reserved for BT and BOO projects with higher profit margins. In addition, after successfully predicting that the PV industry in the PRC would enter a stage of faster growth after 2011, we significantly expanded our polysilicon production capacity for 12,000 tonnes during a depressed PV market in 2011 with a relatively low investment cost. Over six years of operations, our revenue has grown quickly from RMB2.2 billion in 2012 to RMB7.4 billion in 2014.

Working closely with our senior management team are our 857 professional and technical and operations staff, who have extensive experience and skill in research and development, production, quality controls and construction services, and are among the leading talents in the industry. We believe that our professional and technical staff is crucial to our continued success and we are committed to recruiting top-caliber talents across the industry. As the leading solar-grade polysilicon producer and PV project contractor in the PRC, we are able to offer a broad career development platform, competitive promotion, and comprehensive training and employee benefit plans, to attract and retain professional talents across the PRC. As of June 30, 2015, 774 of our employees have obtained nationally recognized professional qualifications, such as registered architect, registered cost engineer and registered safety engineer.

In April 2015, Jinglong Technology, CM International, GF Energy and L.R. Capital Growth I acquired approximately 1.67%, 5.00%, 3.33% and 8.33%, respectively, of our share capital (as of the Latest Practicable Date) and have become our strategic shareholders. Jinglong Technology is primarily engaged in technology development and sales of PV products, PV cells and PV modules. We expect that its strategic investment in us will strengthen our strategic alliance and cooperation in the PV industry. The controlling shareholder of CM International has been focusing on developing renewable energy projects and accumulated market knowledge and resources, which will allow us to benefit from the strategic investment and help us expand our business in the PV and wind power markets. GF Energy and L.R. Capital Growth I have extensive experience in managing large-scale capital investments and operations. Their expertise will help us enter into the international capital markets to finance our business growth. As of the Latest Practicable Date, we have neither implemented any acquisition plan nor identified any acquisition target.

OUR STRATEGIES

We will continue to strengthen our leading positions in China's solar-grade polysilicon production and PV and wind power project construction contracting markets. Our long-term goal is to become a leading renewable energy services provider in China and overseas. In order to achieve such objectives, we intend to adopt the following strategies:

Continue to enhance our competitive edges and market share in Polysilicon Production and Engineering and Construction Contracting.

We believe that the renewable energy sector, especially the PV market, will continue to grow rapidly, due to favorable government policies and economic incentives.

We aim to enhance our competitive edges in the polysilicon production and continue to expand our market share by:

- Enhancing production efficiency by further improving our utilization rate;
- Continuing to improve the quality of our polysilicon products through efficient conversion technology and more streamlined production management; and
- Further reducing electricity and raw materials consumption and lowering production costs through adopting innovative technologies, such as efficient reduction deposition technology, tail gas recycling and purification methods, as well as thermally coupled distillation technology.

For our Engineering and Construction Contracting business, we aim to:

- Enhance our cooperative relationship with various large PV enterprises, particularly major PV product manufacturers who also own PV resources, in order to further increase our market share. As of June 30, 2015, the backlog of our PV projects amounted to RMB1,572.7 million. Our goal is to become the largest PV projects contractor in the world in terms of completed and constructing PV installed capacity within the next three years; and
- Devote substantial efforts to develop EPC and BT wind power projects by working with large state-owned wind power enterprises and privately-owned enterprises with abundant wind power resources. As of June 30, 2015, the backlog of our wind power projects amounted to RMB2,143.9 million.

In addition, we plan to expand our Engineering and Construction Contracting business overseas. The recent introduction of the PRC government policy of "One Belt, One Road" strategy promotes cooperation among emerging economies in Asia on developing renewable energy industries and presents business opportunities to us. In April 2015, we completed the construction of a large-scale PV project (100.0MW) in Pakistan, which paved the way for our expansion into Pakistan and other neighboring countries along the route of "One Belt, One Road." In May 2015, we signed letters of intent for cooperation with the government of Pakistan in relation to 700.0MW PV projects and we anticipate entering into formal development agreements with the Pakistani government in the first half of 2016. In March 2015, we entered into a development agreement with a Chile enterprise in relation to a 13.7MW PV EPC project, which will lay a solid foundation for our expansion into the South American market. As of the Latest Practicable Date, we have deployed our marketing teams to Pakistan, Kazakhstan, Indonesia, Ethiopia, Egypt, Ecuador and Chile.

Actively develop and operate PV and wind power projects by capitalizing on our abundant PV and wind power resources and long-term experience in engineering and construction contracting.

We believe that as an operator of PV and wind power projects, we will enjoy stable cash flow from the sale of electricity and long-term government subsidies, which will help diversify our revenue source and increase our profit. Accordingly, we intend to develop BOO projects under which we are responsible for the engineering design, procurement, construction and installation, commissioning, operations and maintenance of a PV and wind power project as well as the entering into of the power purchase agreements with local power grid companies for the sale of electricity.

With our competitive advantages in engineering and construction contracting services and our abundant reserves of PV and wind power projects, together with an experienced in-house operations and maintenance team, we aim to become a leading operator of PV and wind power projects in China.

We expect to use 65% (approximately HK$805.6 million) of the proceeds from this Global Offering for developing our BOO projects. We focus on developing PV and wind power projects in Xinjiang, Inner Mongolia and Northwestern region China where quality resources are located, and we select areas with sound grid connection conditions and limited or no impact of transmission restriction. See "*Business—Our Products and Services—Engineering and Construction Contracting—Our Pipeline BT/BOO Projects.*" In each of 2015 and 2016, we aim to construct and operate not less than 300.0MW of wind power projects and not less than 150.0MW of PV projects.

Continue to devote resources to the research and development, production and sales of inverter products.

With the continuous innovation and advancement in inverters technology in the PRC, we expect the competition in inverter market will intensify. To remain competitive in the marketplace, we plan to adopt the following measures:

- Continue to enhance our business relationships with major state-owned power generation companies in China as well as privately-owned PV enterprises with strong financial background. In addition to supplying inverter products to the PV projects which are constructed by us, we plan to expand our external sales of inverters to ensure sustained growth of our Inverter Manufacturing business;

- To meet the increasing market demand for inverters, we plan to expand the production capacity of our inverter production facilities to reach 3.5GW within the next three years. We intend to finance this expansion by a combination of bank borrowings and our own capital;
- Continue to focus on the research and development of the high-power inverter products to improve product quality and reduce production cost; and
- Actively explore overseas business opportunities. Our inverter products have been certificated to comply with a number of international industry standards, which enable us to enter the international market. As of the Latest Practicable Date, we have deployed sales teams to India and Germany and have carried out promotional and marketing campaigns in North America and Europe.

Upgrade our IT management systems to improve our operational and management efficiency.

We intend to apply advanced IT management systems to provide centralized resources management, process monitoring and risk management in order to further improve our operational and management efficiency. Specific measures include:

- Adopting an integrated information system combining operation management, business process management and financial controls, which will enable us to achieve information integration and data sharing across business operations and to streamline management procedures;
- Improving the integration of our ERP (Enterprise Resource Planning) system, PM (Project Management) system, NC (yonyouNC) system and BPM (Business Process Management) system, which will better incorporate market demands and supplies into our production plans so as to allocate our resources move effectively; and
- Developing remote monitoring and control systems of PV and wind power projects through cooperation with third-party developers, to minimize staff attendance at our future BOO projects.

We expect to use 5% (approximately HK$62.0 million) of the proceeds from this Global Offering for upgrading our IT systems, which will help improve our operational and management efficiency and reduce our operating expenses.

Attract professional talent in China and overseas.

We believe that our ability to train, attract and retain talented staff is crucial to our continued success. Our key human resources strategies include:

- Continue to offer transparent and equal opportunities for career advancements;
- Continue to implement a tutoring system for professional staff, to organize regular training programs to prepare our staff for professional qualifications, and jointly developing a postgraduates curriculum for our employees with renowned institutions in China, such as Chinese Academy of Sciences and Harbin Institute of Technology; and
- Expand our professional staff through market-based recruitment and cooperation with renowned universities (such as Tianjin University and Xi'an Jiaotong University), and attracting high-end experts and international talents.

In addition to attracting professional talent in China, we established international research centers in the United States and Germany in 2014 to further enhance our technological advantages in polysilicon production and attract international talent. We intend to hire over ten research experts with doctorate degree in chemicals, materials and PV fields for our international research centers in the next two years to conduct research and development initiatives in energy efficiency and to develop new equipment, technologies and polysilicon products.

OUR PRODUCTS AND SERVICES

During the Track Record Period, we principally engaged in solar-grade polysilicon production and providing engineering and construction contracting services in connection with PV and wind power projects. We also own a coal-fired power plant which supplies electricity to our polysilicon production and sell its surplus electricity to the local power grid. Further, we manufacture ancillary products and equipment, principally inverters, PV wafers and PV modules, which we use in our engineering and construction contracting business or sell to third parties. The following table sets forth a breakdown of our revenue by business segments for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
			(RMB in millions)	(unaudited)	
Polysilicon Production	259.8	866.6	2,049.0	867.3	988.7
Sales of Electricity	—	328.8[1]	397.2	220.8	213.0
Engineering and Construction Contracting	1,539.5	4,026.3	4,143.7	1,486.3	2,371.8
Inverter Manufacturing	94.6	373.4	431.5	166.1	207.9
PV Wafer and Module Manufacturing	333.9	301.1	273.6	132.2	121.7
Others[2]	12.0	11.1	107.5	16.2	47.5
Total	**2,239.8**	**5,907.3**	**7,402.5**	**2,888.9**	**3,950.6**

(1) For 2013 only, the calculation of the revenue excluded the electricity generated during the initial testing period of our coal-fired power plant from February 2013 to June 2013 where income attributable to the sales of electricity during this testing period is not included in the revenue of electricity sales, but is offset against the cost of our power plant.

(2) Others include primarily revenues from providing logistics and transportation services to our customers and the trading of PV products sourced from third-party sources.

Polysilicon Production

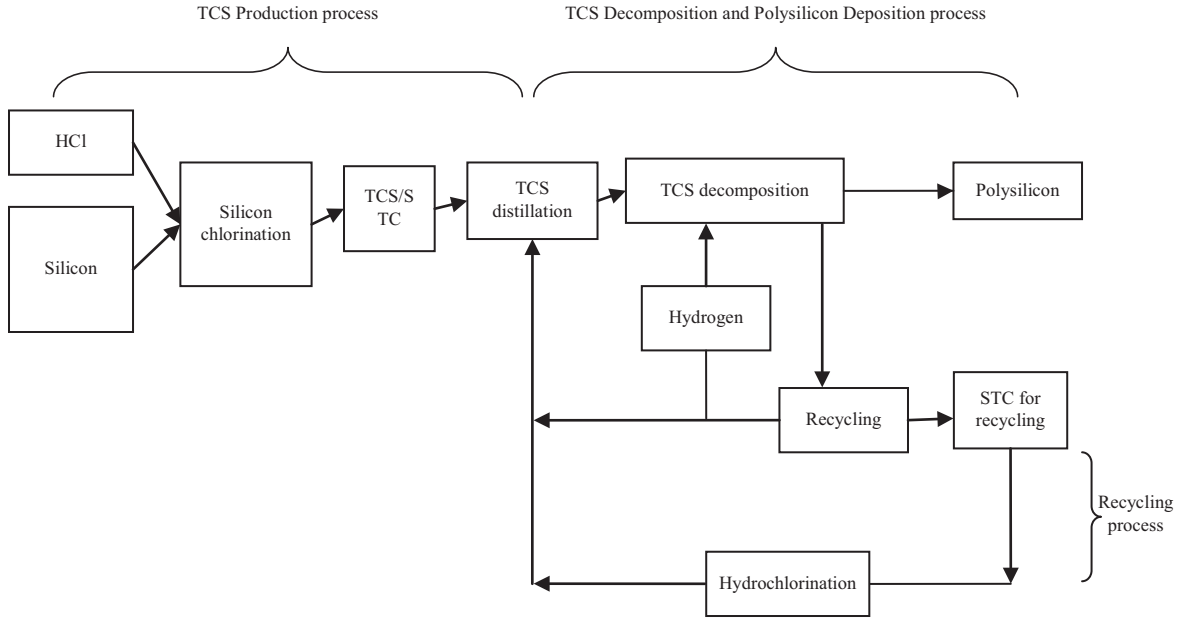
We produce and sell solar-grade polysilicon which is an essential raw material for the production of PV cells used in PV projects. We produce polysilicon in rods, broken into chunks, which we sell to PV product manufacturers primarily in China, who further process it into ingots, wafers, cells and modules for PV projects. All of the polysilicon we currently produce and have produced during the Track Record Period is solar-grade, which is intended for manufacturing PV products.

The following table sets forth the sales information of our Polysilicon Production business for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Sales volume (tonnes)	2,223.1	8,093.7	16,165.6	9,257.3
Sales revenue (RMB in millions)	258.0	858.4	2,040.4	985.6
Average selling prices (RMB/kg and excluding VAT)	116.1	106.1	126.2	106.5

Production Process

We implement a modified Siemens process, a non-proprietary technology generally used in the polysilicon industry in China, for our polysilicon production process, which is based on closed-loop gas recycle and recovery systems. The following chart illustrates our closed-loop polysilicon production process:



TCS Production Process: Our polysilicon production process starts with mixing HCl with metallurgic-grade silicon in a reactor and producing TCS. TCS is then purified through distillation to remove STC, the main byproduct, and other byproducts and impurities.

TCS Decomposition and Polysilicon Deposition Process: Next, the purified TCS is transformed into gas and fed into a CVD reactor (generally referred to as "Siemens reactor" in the industry) containing seed polysilicon rods, which are thin filaments made of high-purity silicon. In a hydrogenated environment at high temperature, TCS decomposes or disintegrates and deposits onto the seed polysilicon rods, or "grows" the rods. When the rods eventually grow to desired diameter, they are harvested from the CVD reactor and moved to a clean area for further processing. The grown-up rods are broken into chunks in different sizes, with the carbon ends removed, and the ultrapure polysilicon chunks are sorted, packaged and shipped to our customers.

Recycling Process: Both the silicon chlorination and TCS decomposition reactions generate STC as a byproduct, which is fed back into the TCS production process to be re-used as a production input. The STC generated from both the silicon chlorination and the TCS decomposition is fed into a hydrochlorination procedure, an efficient STC-TCS conversion process, during which STC reacts with silicon and hydrogen to form TCS. This TCS is mixed with unreacted STC and further redirected back to the TCS distillation procedure for TCS decomposition through the closed loop. The HCl created in the CVD reactors and the hydrochlorination procedure is also recycled and re-used in the initial silicon chlorination. The excess hydrogen, after being decomposed in the recycling process and purified through the distillation process, is also recycled and re-used. As a result, the closed-loop system enables a high degree of TCS, STC, HCl and hydrogen utilization throughout the production process, thereby enhancing raw material conversion efficiency and reducing waste and environmental impact.

Compared to an open-loop system, which lacks the recycling mechanism, our closed-loop system obviates the logistical and financial burden of managing large external flows of the STC byproducts and TCS feedstock and reduces the potential safety and environmental risks of handling and transporting such materials.

Production Facility and Utilization

Our polysilicon production facilities are located in Xinjiang Plant. It commenced production in 2009 with an initial annualized designed production capacity of 1,500 tonnes and expanded in 2011 to reach a total annualized designed production capacity of 3,000 tonnes. Our expansion project in 2013 further increased the designed production capacity of our Xinjiang Plant to 15,000 tonnes. This expansion project also featured the construction of a coal-fired power plant which commenced operation in February 2013 and supplies low-cost electricity to our Xinjiang Plant using coal supplies from our Controlling Shareholder and other third parties. As of the Latest Practicable Date, our Xinjiang Plant had an annualized production capacity of 15,000 tonnes and covered an area of approximately 2.3 million square meters.

The following table sets forth the production capacity of our Xinjiang Plant and other key operating information of our polysilicon production during the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Production capacity (tonne)	3,000	15,000	15,000	15,000
Average production capacity[1] (tonne)	3,000	7,000[2]	15,000	7,500
Production output (tonnes)	2,681.8	7,920.4	17,504.9	9,131.8
Utilization rate[3]	89.4%	113.1%	116.7%	121.8%

(1) Average production capacity equals the aggregate of our production capacity for each month-end in a period divided by the number of months in such period.

(2) Our 12,000-tonne production capacity expansion project was completed in September 2013 and therefore our average production capacity in 2013 was 7,000 tonnes.

(3) Utilization rate equals our production output in a period divided by our average production capacity in such period. Our optimal utilization at our Xinjiang Plant ranges between 120% and 140%.

In 2013 and 2014 and the six months ended June 30, 2015, our actual polysilicon production output exceeded our average production capacity, and therefore the utilization rates of our Xinjiang Plant were above 100% in those years. This was attributable to various technology upgrades and process improvements which were implemented under our research and development initiatives. Our increased production efficiency and utilization are sustainable without potentially subjecting our equipment or employees to overwork. See "*—Polysilicon Production—Research and Development.*"

System Control

Our entire production process is controlled by an advanced computerized control system. All the pipes, valves, reactors, STC convertors and other critical components are monitored by electronic sensors. Data from these sensors are transmitted to our central control room in real time, monitored, analyzed, and acted upon by rotating shifts of our engineers 24 hours a day, seven days a week.

As part of our standard procedure, our engineers adjust the level of production activities remotely. In the event a safety incident arises, our engineers are able to shut down entire systems or

discrete parts of systems remotely. Our advanced control system improves production capacity and safety while reducing staff-related operating expenses. Our production process, including production, cleaning, packaging and transportation, conforms to applicable industrial standards and our comprehensive waste management system is compliant with environmental protection standards of China.

Quality Control

We adhere to a strict system of quality control over our operations, from the sourcing of raw materials to production and delivery. We have established quality-control at each key stage of our production process to closely monitor the quality of our production and to ensure that our polysilicon rods meet all our internal benchmarks and customers' specifications. Some of our key quality control measures include:

- Every batch of raw materials, such as silicon and purchased TCS, is sampled and analyzed for constituents. Silicon is also checked for particle size. Each week, two batch-samples of the purchased TCS are also further analyzed for details of impurities with the assistance of sophisticated techniques and equipment.
- The primary TCS we produce ourselves is sampled several times a day and the constituents are analyzed. As needed, and at least once a month, samples are further analyzed for details of impurities with the assistance of sophisticated techniques and equipment.
- TCS and STC produced from TCS distillation is sampled at intervals ranging from daily to weekly to analyze for constituents. As needed, and at least once a month, STC samples are further analyzed for details of impurities with the assistance of sophisticated techniques and equipment.
- Finally, each batch of polysilicon is inspected for physical properties, for example, size and appearance, and samples are taken for analysis of electric conductive properties. Concentration of phosphorus and boron is also tested, as is the content of oxygen, carbon and metals.
- Other utilities such as hydrogen production, water processing, water cooling and seed polysilicon rod production have their own quality-control procedures and measures.

In addition, we have established a documentation system for all purchasing, production and sales aspects and implemented procedures for constant improvement and flaw prevention.

As of June 30, 2015, we had 54 key personnel who lead our quality control measures and report directly to our management. Of these personnel, 24 have master's degree or bachelor's degree. All of them have an average of over four years of working experience in the quality control work and inspection of the polysilicon production process. We did not experience any material losses due to any non-compliant product quality during the Track Record Period.

We purchase raw materials from trusted suppliers on our approved vendor list whenever possible and only those suppliers that pass our assessment are admitted to our approved vendor list. Raw materials are inspected by our quality management unit. Raw materials which fail to pass our incoming inspection are returned to the suppliers. At each stage of the production process, we conduct tests to ensure quality and compliance with all our internal production benchmarks. Following

completion of the production process, our products are inspected and tested thoroughly through an output quality check to ensure that all customers specifications are met before our products are delivered to them.

We are currently implementing an ISO 9001 Quality Assurance system at our production facilities. Our quality assurance and quality control procedures, together with our corporate standards established for the quality checks exercised by our quality management unit, are in compliance with ISO 9001 requirements as well as our own internal quality guidelines.

Research and Development

As of June 30, 2015, we have a dedicated research and development team of 64 employees at our Xinjiang Plant, all of whom have bachelor's degree or above, including five employees who have doctorate degree in materials and chemicals. These employees have over seven years of relevant industry experience in polysilicon production. The primary objectives of our research and development team are to enhance our product quality and to achieve a more efficient production process by improving yield and lowering per-unit production cost. Some of our principal research and development initiatives include:

- improving techniques to accelerate the reaction at CVD reactors in order to reduce the time required for producing the same yield of polysilicon;
- enhancing the STC conversions at our hydrochlorination facilities;
- improving TCS distillation process to obtain higher yield of TCS; and
- developing high-purity polysilicon rod breaking techniques to reduce impurities in polysilicon chunks.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, research and development expenses of our Polysilicon Production business were RMB134.1 million, RMB78.9 million, RMB186.2 million and RMB63.7 million, respectively.

In 2014, we established international research centers in Germany and the United States to further enhance our technological advantages in polysilicon production and attract international talents. We intend to hire over ten research staff with doctorate degree in chemicals, materials and PV fields for our international research centers in the next two years to conduct research and development initiatives in energy efficiency and to develop new equipment, technologies and polysilicon products.

Customers, Sales and Marketing

We sell our polysilicon products directly to customers. Our customers comprise some of the leading manufacturers in the PV industry, with whom we have maintained an average business relationship of over three years. During the Track Record Period, substantially all of our polysilicon products were sold in the PRC.

We have written agreements with all of our customers. Our sales contracts typically include terms on the contract term, price, product quality and quantity, services and warranties.

- *Delivery*: We typically deliver our products after we receive payments of the contracted purchase price from our customers.

- *Acceptance*: Products will generally be considered accepted after delivery, unless our customers inform us otherwise in writing.
- *Payment Methods:* Our clients normally settle their payments with us by cash, telegraphic transfers or bank acceptance notes.
- *Warranties*: If product quality disputes cannot be resolved through negotiation, and if our products are proved to be not in compliance with our contract terms in quality by third party, we will resolve the issues through return of goods, exchange of goods, price adjustment and contract termination. During the Track Record Period, we did not experience any material customer complaint, product return or product liability claim.

We rely on our in-house sales team in selling our polysilicon products. As of June 30, 2015, we had a sales team of 34 persons, responsible for our sales and marketing activities, including developing and maintaining client relationship, signing sales contracts, execution and market management. Our advertising activities generally include participating in industry exhibitions.

As polysilicon is a standardized commodity, its market price is transparent, which varies based on the change of overall demand and supply in the market. There is a competitive and transparent polysilicon spot market in China, on which polysilicon sellers and buyers can freely trade, and the prevailing spot market price is widely researched and quoted. We have conducted our spot market sales in line with the prevailing industry practice, and we did not maintain any long-term sales contract with our polysilicon customers during the Track Record Period.

According to Frost & Sullivan, the price of polysilicon in China reached its peak by the end of 2010 and started to decrease significantly since mid-2011 due primarily to the slowdown of global PV installation in 2012, especially in Europe and the overcapacity of polysilicon production in China. Since 2014, the price of polysilicon gradually recovered due to the rising global PV installation, particularly in Asian countries, and the production suspension of some polysilicon producers who fail to achieve profitability. Frost & Sullivan predicted that, in the long term, the price of polysilicon will remain stable or slowly decline due to the advancement of production technology and decrease of manufacturing costs. In 2012, 2013 and 2014, the selling price (including VAT) of solar-grade polysilicon in China averaged at RMB136.6/kg, RMB124.1/kg and RMB157.9/kg, respectively, according to Frost & Sullivan.

Suppliers

Raw Materials

Raw materials required for our polysilicon production primarily consists of metallurgic-grade silicon, hydrogen and chlorine. Metallurgic-grade silicon is the most important component of our production. In 2012, 2013 and 2014 and the six months ended June 30, 2015, major raw materials comprised approximately 13.3%, 13.2%, 15.6% and 19.3% of the costs of sales in our Polysilicon Production, respectively. The materials we use in our production are widely available in the marketplace. In particular, silicon is one of the most abundant elements in nature. China is the world's leading supplier of metallurgic-grade silicon, which is our main silicon-based raw material, with abundant suppliers, and the market price for metallurgic-grade silicon, which is mostly used in the metal industries, has been stable in China in the past three years. We believe that we will continue to have access to abundant supplies of raw materials in the future to sustain our production.

We source our raw materials in polysilicon production from independent third-party suppliers in China, with whom we have maintained a business relationship of over three years. Our procurement policy for raw materials is to select suppliers who have demonstrated quality control and reliability on delivery time, and to maintain multiple sources of at least two suppliers to ensure that individual incidents of quality or delivery issues will not adversely affect our operations. The quality and delivery performance of each supplier is kept under review and graded. Some of our raw materials supply agreements are subject to fluctuating market prices or price negotiations with our suppliers. Regarding these raw materials, we normally provide estimated monthly demand for the year to our suppliers and determine the prices on a monthly basis, which helps us manage fluctuations in raw material prices. Our raw material suppliers generally grant us a credit period between 30 days to 60 days, depending on the material type, and we settle our purchases of raw materials by a combination of cash and bank acceptance notes.

To ensure a smooth production, our policy is to maintain a reasonable stock level of raw materials to meet our production demand according to our annual production plan and budget. We aim to keep approximately one-month inventory in respect of metallurgic-grade silicon. For certain consumables and spare parts, we normally negotiate with our suppliers and maintain appropriate level of stocks on behalf of the suppliers at our premises. Only those consumed by us will be counted and paid for. For parts and components of our key equipment, given their critical importance to our continued production and the long delivery cycle generally associated with them, we usually maintain a spare stock.

Electricity

We consume a significant amount of electricity in our polysilicon production and a constant supply of electricity is crucial to our ability to maintain optimal production conditions. Cost of electricity (excluding the cost associated with electricity generated and sold to the power grid) is the largest component of supply in our Polysilicon Production business, and accounted for between 27% and 42% of the costs of production of our Polysilicon Production during the Track Record Period.

Before 2013, our polysilicon production was powered by electricity purchased from the local power grid at rates regulated by the PRC government. We built a coal-fired power plant in 2013 to meet our electricity needs for polysilicon production. See "—*Sales of Electricity*." During the Track Record Period, our average cost of electricity ranged from RMB180 to RMB210/MWh compared to the average industrial tariff of RMB300 to RMB360/MWh in Xinjiang area, which substantially reduced our cost of electricity.

During the Track Record Period, we have not experienced any material shortage in the supply of raw materials, coals, electricity and other utilities. Our coal-fired power plant has passed the environmental assessment in accordance with applicable PRC laws and has not been subject to any material penalty due to violations of PRC environmental protection regulations.

Production Equipment

As of June 30, 2015 and the Latest Practicable Date, we owned the following major equipment in our production:

Equipment	Number of sets	Function
CVD reactor	62	The CVD reactors are used to produce polysilicon
Fluidized bed	3	The fluidized beds are used to produce TCS from STC

Subject to the condition of equipment operations and our customer demand, we typically carry out maintenance work for our production equipment for a period of around 30 days every year.

We source our key production equipment from leading domestic and international manufacturers, such as GT Advanced Technologies Limited.

Competition

The polysilicon production market in China is highly competitive. Polysilicon production is a capital and energy-intensive business with high entry barriers. We may face increasing pressure on price reduction, reduced profit margin or loss of market share. During the past few years, other polysilicon companies have, like us, engaged in aggressive expansion programs. In addition, the number of new entrants in the polysilicon market has also rapidly increased due to the growth of actual and forecasted demand for polysilicon. We produce polysilicon in China and sell them to PV product manufacturers in China. The polysilicon production is dominated by key players and we mainly compete with international players, such as Hemlock Semiconductor Corporation, Wacker Chemie AG and OCI Solar Power LLC, who also sell polysilicon to the PV product manufacturers in China. We also compete with players in China such as GCL-Poly Energy Holdings Limited. Some of our current and potential competitors may have a longer operating history, wider name recognition, greater resources, larger customer base and greater economies of scale than us. For our ranking and future market prospects of the polysilicon production market, see "*Industry Overview—China's Solar-Grade Polysilicon Industry—Competitive Analysis of China's Polysilicon Industry*" and "*Industry Overview—China's Solar-Grade Polysilicon Industry—Future Trends in China's Solar-Grade Polysilicon Industry,*" respectively.

We believe that the key competitive factors in the polysilicon market include:

- cost competitiveness and price;
- economies of scale;
- product quality;
- advanced technology and producing processes;
- strong distribution channels and customer relationships; and
- stability and reputation.

Sales of Electricity

As part of our Polysilicon Production capacity expansion project, we constructed a coal-fired power plant which commenced operation in February 2013. This power plant has a designed installed capacity of 700.0MW (2×350.0MW) and supplies electricity exclusively to our Xinjiang Plant, with any surplus generation sold to the local power grid. Since 2013, our coal-fired power plant has been able to meet our electricity needs for polysilicon production. Based on our current production efficiency, our coal-fired power plant is able to support the electricity consumption required by the production of up to approximately 50,000 tonnes of polysilicon per year. If we increase our designed polysilicon production capacity in the future, our surplus power generation will decrease accordingly. However, based on our cooperative relationship with the local power grid company, we also purchased a small portion of our electricity from the power grid at prevailing market prices after our coal-fired power commenced operation. The following table sets forth the key operating data of our coal-fired power plant:

	As of or for the year ended December 31,		As of or for the six months ended June 30,	As of or for the three months ended September 30,
	2013	2014	2015	2015
Installed capacity	2×350MW	2×350MW	2×350MW	2×350MW
Average utilization hours	4,521.6	6,077.4	3,303.3	1,703.5
Gross electricity generation (MWh)	3,165,132.5	4,254,162.0	2,312,324.0	1,192,456.0
On-grid electricity generation (MWh)	2,765,015.0	3,775,987.8	2,046,975.0	1,025,090.0
—Power generation used by us in polysilicon production	1,015,959.5	1,479,618.8	814,846.7	479,046.8
—Surplus power generation sold to the local power grid	1,749,055.5	2,296,369.0	1,232,128.3	546,043.2
Tariff (RMB/MWh)[1]	200.0[2]	200.0	200.0	200.0
Gross margin (RMB/MWh)[3]	119.0	116.8	126.9	124.8

(1) Tariff refers to the unit price of electricity (including VAT) for our surplus power generation sold to the local power grid.

(2) In 2013, we sold all of our on-grid power output from our coal-fired power plant to the local power grid company and purchased electricity for our polysilicon production from such power grid. The selling price of electricity to the power grid and the purchase price of electricity for our polysilicon production were identical, both at tariff rates of RMB250/MWh. Sales of surplus electricity, being our purchase of electricity deducted from all of our on-grid power output, were at tariff rates of RMB200/MWh.

(3) Gross margin of our coal-fired power plant, as measured in RMB/MWh, is the difference between the tariff of electricity we sold and the fuel cost (including transportation cost) incurred to produce that electricity. For 2013 only, the calculation of the gross margin excluded the electricity generated during the initial testing period of our coal-fired power plant from February 2013 to June 2013 where income attributable to the sales of electricity during this testing period is not included in the revenue of electricity sales, but is offset against the cost of our power plant.

In 2013 and 2014 and the six months ended June 30, 2015, less than half of our electricity generation from our coal-fired power plant was used in our polysilicon production, with the remaining sold to the local power grid. During the same periods, we generated revenue of RMB328.8 million, RMB397.2 million and RMB213.0 million, respectively, from the sale of electricity. We enter into power purchase agreements with the local power grid company (Xinjiang branch of the State Grid Corporation of China) for our purchase or sale of electricity. Our power purchase agreements generally have a term of one to three years and can be renewed upon expiry, which generally include delivery and supply terms, metering, pricing, billing and payments as well as liabilities for breach of contract. Our coal-fired power plant is fueled by coal. In 2013 and 2014 and the six months ended June 30, 2015, we purchased 28.6%, 43.7% and 86.8%, respectively, of our coal supplies, as measured by purchase value, from our Controlling Shareholder, with the remaining portion purchased from independent third-party suppliers with whom we have maintained a business relationship between two

to three years. See "*Connected Transactions—Connected Persons Non-exempt Continuing Connected Transaction—A. Transactions with TBEA and/or its Associates—2. Coal Procurement Framework Agreement (Transaction 2).*"

Engineering and Construction Contracting

Overview

We provide comprehensive energy solutions to PV and wind power projects, including engineering design, consultancy, construction and commissioning, as well as operations and maintenance, in our Engineering and Construction Contracting business. Depending on our customers' needs, we mainly use the following contracting models for our services:

- *EPC (Engineering, Procurement and Construction)*

  In this contracting model, we act as the contractor to undertake the entire process of survey, design, materials and equipment procurement, construction, installation of equipment and commissioning of the project. An EPC contractor is responsible to the owner for the quality, safety and timely delivery of the project.

- *PC (Procurement and Construction)*

  Under this contracting model, we are only responsible for procurement of general equipment and materials for construction of a project. In addition, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner. As construction work involves lower technology and, in turn, lower gross margins, the gross margin of our PC contracts is typically lower than those of our EPC and BT contracts.

- *BT (Build and Transfer)*

  Under a BT model, we, through the setting up of a project company as our subsidiary, act as the project investor and undertake the financing and development of the relevant BT project. We are required to use our own cash and borrowings to finance the engineering, procurement, construction and other work before we receive any payments to cover our expenditures. The project company will enter into service contract with us under similar terms of EPC and PC contracting models for carrying out of the engineering, procurement and construction work. We transfer the equity interest in our project company to the purchaser and recover our costs of construction, subcontracting and financing relating to the BT project at different stages of development or after the BT project completes construction and starts on-grid electricity generation.

The following table sets forth the revenue contribution from our different contracting models during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	(RMB in million)	(%)	(RMB in million)	(%)	(RMB in million)	(%)	(RMB in million)	(%)
EPC	1,238.8	88.2	2,770.9	65.3	1,593.6	40.7	1,176.9	48.4
PC	165.4	11.8	378.8	8.9	533.3	13.6	365.8	15.0
BT	—	—	1,095.3	25.8	1,787.7	45.7	889.7	36.6
Total	1,404.2	100.0	4,245.0	100.0	3,914.6	100.0	2,432.4	100.0

As part of our business strategy, we intend to leverage our competitive advantages in engineering and construction contracting services and our abundant reserves of PV and wind power projects to develop BOO projects under which we are responsible for the engineering design, procurement, construction and installation, commissioning, operations and maintenance of a project as well as the entering into of the power purchase agreements with local power grid companies for the sale of electricity. In each of 2015 and 2016, we aim to construct and operate not less than 300.0MW of wind power projects and not less than 150.0MW of PV projects. See "*—Our Strategies.*"

Completed Projects

We provided engineering and construction contracting services to PV and wind power projects. During the Track Record Period, we completed an aggregate of 2,070.9MW of installed capacity.

PV Projects

We provide engineering and construction contracting services to PV projects which are solar energy generation systems that use PV modules to convert electricity from solar power. During the Track Record Period, we completed an aggregate of installed PV capacity of 1,717.6MW. The table below sets forth our completed installed capacity of PV projects by contracting model for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
		(MW)		
EPC	134.2	316.8	269.9	160.1
PC	52.0	121.7	239.1	76.4
BT	—	107.8	155.7	83.9
Total	**186.2**	**546.3**	**664.7**	**320.4**

Wind Power Projects

We have since 2013 been providing engineering and construction contracting services to wind power projects. During the Track Record Period, we completed an aggregate of wind power installed capacity of 353.3 MW. The table below sets forth the completed installed capacity of wind power projects by contracting model for the period indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
		(MW)		
EPC	—	47.6	15.2	36.3
PC	—	—	78.5	61.1
BT	—	23.9	63.9	26.9
Total	**—**	**71.4**	**157.6**	**124.3**

EPC and PC Projects under Construction

The following table sets forth our 13 major uncompleted EPC and PC projects for which we were undertaking engineering and construction contracting services as of June 30, 2015:

Project code name	Type	Business Model	Estimated installed capacity (MW)	Expected Date of Completion	Percentage of completion
Project A	Wind Power	EPC	99.0	June 2016	70%
Project B	Wind Power	PC	49.5	January 2016	65%
Project C	Wind Power	PC	49.5	January 2016	65%
Project D	Wind Power	EPC	50.0	December 2015	65%
Project E	Wind Power	EPC	50.0	December 2015	95%
Project F	Wind Power	EPC	48.0	January 2016	10%
Project G	Wind Power	EPC	48.0	January 2016	10%
Project H	PV	EPC	50.0	March 2016	5%
Project I	PV	EPC	15.0	December 2015	40%
Project J	PV	PC	110.0	December 2015	90%
Project K	PV	PC	200.0	January 2016	50%
Project L	PV	PC	20.0	June 2016	30%
Project M	Wind Power	PC	200.0	January 2016	15%

Our Pipeline BT and BOO Projects

As we are unable to make any profit from a BT project until it is transferred to the purchaser, and cannot generate revenue from a BOO project until it starts to produce and sell electricity, we refer to our BT and BOO projects which have not been sold or completed or reserved for future development as pipeline projects. We classify our pipeline BT and BOO projects into "completed but not transferred and sold," "under construction", "advanced" or "early" based on the progress made and the milestones achieved by each project.

Completed but not transferred and sold

The following table sets forth the BT projects (with a total installed capacity of 109.0MW) whose constructions are completed but have not been transferred and sold as of June 30, 2015:

Province/Project Code Name	Type	Installed capacity (MW)
Xinjiang		
Project 1	PV	20.0
Project 2	PV	20.0
Project 3	PV	20.0
Gansu		
Project 4	PV	40.0
Project 5	PV	9.0

We are negotiating with potential purchasers for these completed BT projects and expect to enter into formal equity transfer agreements with the purchasers within the next year.

Under construction

As of June 30, 2015, our BT projects under construction had a total estimated installed capacity of 468.0MW. We expect most of these projects to complete construction within 2015. As of June 30, 2015, we did not have any BOO project under construction.

The following table sets forth our BT projects under construction as of June 30, 2015:

Province/Project Code Name	Type	Estimated installed capacity (MW)	Expected Date of Completion	Percentage of completion
Xinjiang				
Project 8[1]	PV	30.0	December 2015	70%
Project 9	PV	20.0	December 2015	89%
Project 10[1]	PV	60.0	October 2015	85%
Project 11[2]	PV	20.0	October 2015	90%
Project 12	PV	30.0	December 2015	85%
Project 13[2]	PV	20.0	October 2015	60%
Project 14[2]	PV	20.0	December 2015	80%
Project 15[2]	PV	20.0	August 2015	90%
Project 16	Wind power	99.0	December 2015	20%
Project 17	Wind power	49.5	December 2016	5%
Project 18[2]	Wind power	49.5	December 2015	15%
Sichuan				
Project 19[2]	PV	50.0	October 2015	85%

(1) Such BT project is completed and transferred as of the Latest Practicable Date.
(2) Such BT project is completed but not transferred as of the Latest Practicable Date.

Advanced

Advanced pipeline projects are those that have completed all of the critical phases of development before construction, including the entering of investment and development agreements with local governments, feasibility study completed and preliminary government approvals obtained. As of June 30, 2015, we had 42 advanced BT/BOO projects, with an estimated total installed capacity of approximately 2,277.5MW, including 450.0MW of advanced BOO projects. In general, we expect such 42 advanced pipeline project to become operational within two to three years.

The following table sets forth a summary of our advanced BT/BOO projects by region as of June 30, 2015:

	As of June 30, 2015	
Location	Number of projects	Estimated installed capacity (MW)
Xinjiang	16	718.5
Inner Mongolia	10	340.0
Shaanxi	3	250.0
Shanxi	1	50.0
Gansu	1	49.5
Jiangxi	1	49.5
Yunnan	2	60.0
Ningxia	1	100.0
Tibet	1	20.0
Liaoning	1	10.0
Hebei	1	80.0
Heilongjiang	1	100.0
Total	**39**	**1,827.5**

As of June 30, 2015, we identified three advanced pipeline projects, with a total estimated installed capacity of 450.0MW, to be our BOO projects which we intend to manage and operate upon completion. As of the Latest Practicable Date, the three BOO projects are under construction and the following table sets forth the details of these projects as of the Latest Practicable Date:

Location/Project Name	Type	Expected Date of Completion	Percentage of completion	Estimated Installed capacity	Expected investment payback period[1]	Bank loan applied	Repayment period	Status
			(%)	(MW)	(Year)	(RMB in million)	(Year)	
Xinjiang								
Southeastern Hami PV Park 150MW PV project	PV	March 2016	60	150.0	7	1,100	17	Bank loan approved with RMB400 million released
Hami Jingxia 200MW wind power project	Wind power	March 2016	70	200.0	6	1,400	17	Bank loan approved with RMB600 million released
Inner Mongolia								
Guyang 100MW wind power project	Wind power	March 2016	70	100.0	8	630	15	In the process of applying bank loan and we expect such bank loan to be released in December 2015

(1) Investment payback period represents the period from the date of commencement of construction to the investment amount is fully recovered by the expected accumulated net cash inflow without taking into account the time value of money.

We have implemented the risk control measures, including the application of bank loan and planning in advance to match the timing of repayment and expected income to be generated, for the above three BOO projects. For such BOO projects, we have applied bank loans in an aggregate amount of RMB3.1 billion, with an annual average repayment amount of RMB275.4 million comprising principal and interest repayment amounting to RMB184.1 million and RMB91.3 million, respectively. During the bank loan period, based on an estimate of annual average on-grid power output of 96,169MWh and assuming all other factors remain constant, we anticipate an annual average income from such on-grid power output amounting to RMB626.3 million (including VAT), which can be used to pay maintenance cost and tax of RMB182.5 million; and average loan repayment amount of RMB275.4 million.

Such bank loan agreements typically include terms such as (i) the use of proceeds for the loan which is normally for the purpose of capital funding of the project construction; (ii) details of repayment timeline which varies based on the respective payment period; (iii) calculation of interest payment which is normally based on the benchmark interest rate for contracts with a term of more than five years published by the PBOC as of the first loan withdrawal date; and (iv) the pledge of the rights to collect income generated after the completion of the project construction.

In addition, as part of our business strategy, we expect to develop our BOO projects by constructing and operating PV and wind power projects with a total estimated installed capacity of 450.0MW in 2016. We expect that these BOO projects will require approximately RMB1.1 billion and RMB2.9 billion of capital expenditures in 2015 and 2016, respectively, which will be financed by a combination of our own capital, bank borrowings and net proceeds from this Global Offering.

Early

Early pipeline projects are those in their earliest stage of development and for which we have entered into development agreements with local governments. As of June 30, 2015, our early pipeline projects had an estimated total installed capacity of approximately 17,690MW.

The following table sets forth a summary of our early pipeline projects by region as of June 30, 2015:

	As of June 30, 2015
Location	**Estimated installed capacity (MW)**
Xinjiang	3,140.0
Inner Mongolia	6,690.0
Shaanxi	2,230.0
Shanxi	1,150.0
Gansu	600.0
Liaoning	90.0
Hebei	3,360.0
Heilongjiang	80.0
Jilin	50.0
Ningxia	300.0
Total	**17,690.0**

Although we expect an early pipeline project to become operational within three to five years, the actual timing and the future capital requirements for the development and construction of these early pipeline projects may vary. We periodically reassess our early pipeline projects to determine the proper timing for development so that our management can decide whether to invest resources into feasible pipeline projects. Through such assessments, we may also decide not to proceed with an early pipeline project that we deem unsuitable for future sale or development. See "*Risk Factors—Risks relating to Our Business and Industry—Risks relating to Our Engineering and Construction Contracting Business—The growth of our BT/BOO business depends upon our ability to convert our pipeline projects into operating projects.*"

We consider the following key factors when selecting a BOO project from our early pipeline projects:

- the quality of energy resources based on our feasibility study;
- transmission capacity of local power grids;
- availability of internal and external financing;
- the prevailing market price for key equipment; and
- applicable on-grid tariffs.

As of the Latest Practicable Date, we have not identified any BOO project from these early pipeline projects.

Investment payback period

Investment payback period represents the period from the date of commencement of construction to the date on which investment amount is fully recovered by the expected accumulated net cash inflow without taking into account the time value of money. The expected investment payback

period of our PV power projects and wind power project generally ranges from 7 to 11 years and five to nine years, with an estimated operational period of 25 years and 20 years, respectively.

Liquidity risk control measures

The BT and BOO models of our Engineering and Construction Contracting business are capital intensive and therefore subject us to liquidity risk. See "*Risk factors—Risks relating to Our Business and Industry—Risks relating to Our Engineering and Construction Contracting Business—BT and BOO projects typically require significant initial cash outlays and feature long payback periods and we may require substantial funding for these projects.*" To reduce our exposure to such liquidity risk, we have implemented the following risk control measures:

- to cooperate with banks in relation to the application of loans for the financing of the relevant project prior to the commencement of project construction and to ensure the release of funds in accordance with phases of development;
- to engage in planning in advance with banks for the timeline and amount in relation to the repayment of the project loan, to match the timing of repayment of bank loans and the expected electricity generation income upon project completion; and
- to continue expanding the size of our credit facilities for capital replenishment.

Backlog

Backlog is the total estimated value of uncompleted contracts for EPC, PC and BT projects as of a certain date. Such estimated contract value fluctuates from time to time as a result of any change in the project scope or adjustment to contract terms. Our backlog is also affected by new contracts. The following table sets forth our backlog by contracting model as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
PV projects				
—EPC contracts	1,217.0	1,277.6	910.7	804.2
—PC contracts	168.8	171.4	53.0	417.3
—BT contracts		311.5	739.4	351.2
Sub-total	**1,385.8**	**1,760.5**	**1,703.1**	**1,572.7**
Wind power projects				
—EPC contracts	—	13.9	1,355.4	917.1
—PC contracts	—	—	643.2	1,006.6
—BT contracts		394.1	420.5	220.1
Sub-total	**—**	**408.0**	**2,419.1**	**2,143.9**
Total	**1,385.8**	**2,168.6**	**4,122.1**	**3,716.6**

The revenues of the backlog will be recognized during the course of construction and upon completion of these projects. The backlog figures are calculated based on the assumption that the relevant contracts will be performed in accordance with their terms. Any modification, termination or suspension of these contracts by our clients may have a substantial and immediate effect on our backlog. See "*Risk Factors—Risks relating to Our Business and Industry—Risks relating to Our Engineering and Construction Contracting Business—Our backlog may not be a reliable indicator for our future results of operations.*"

The above backlog does not include our pipeline BT and BOO projects. Of our total backlog as of June 30, 2015, we expect to recognize approximately RMB1,380 million and RMB2,337 million, respectively, in the second half of 2015 and in 2016.

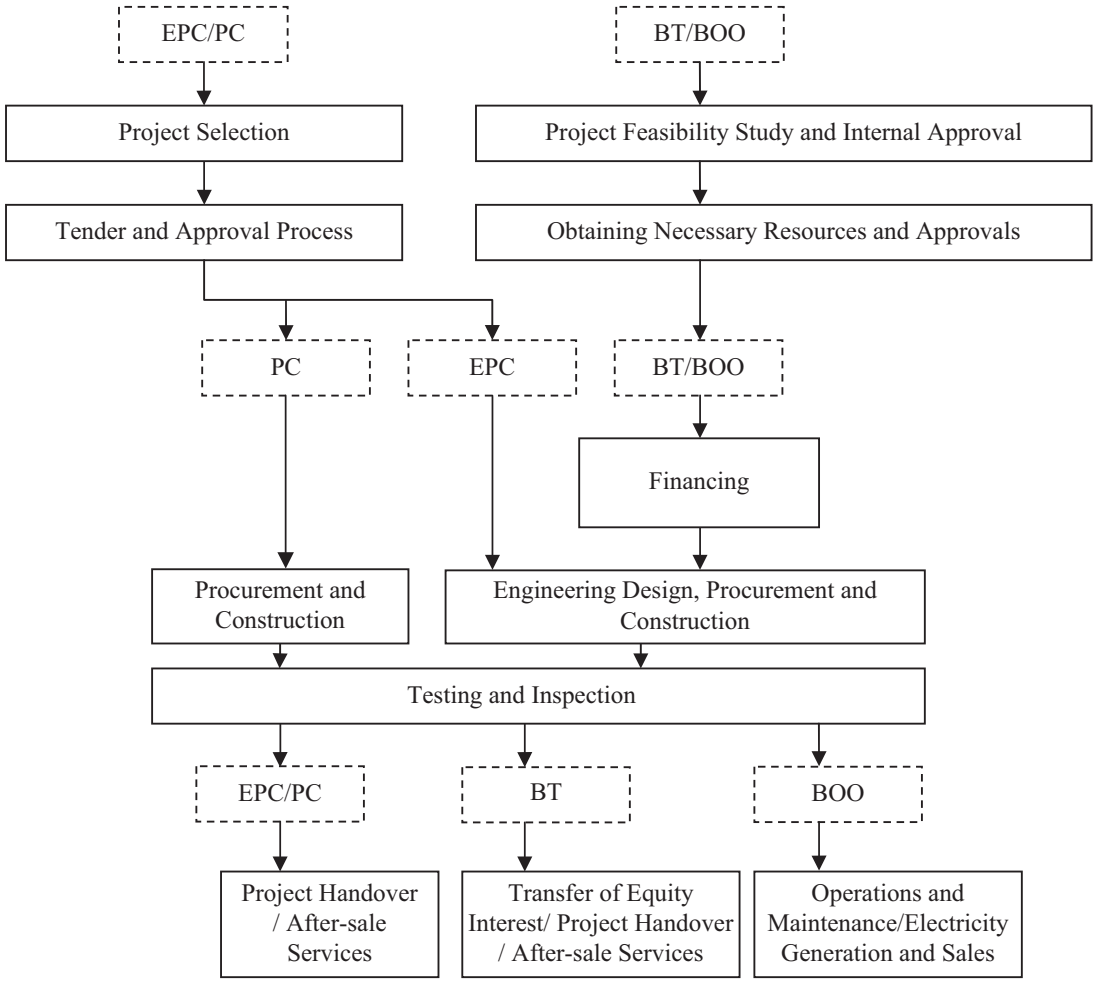
New Contract Value

New contract value is the aggregate monetary value of the contracts we enter into during a specified period. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our new contract value of our PV and wind power projects was approximately RMB2,169.8 million, RMB6,445.3 million, RMB7,197.7 million and RMB1,822.5 million, respectively. The following table sets forth our new contract value by contracting model for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
	(RMB in millions)			
PV projects				
—EPC contracts	1,947.4	3,272.5	1,275.7	691.4
—PC contracts	222.5	734.8	42.3	477.9
—BT contracts	—	1,652.7	1,783.1	—
Subtotal	**2,169.8**	**5,660.0**	**3,101.1**	**1,169.3**
Wind power projects				
—EPC contracts	—	410.2	1,431.4	653.2
—PC contracts	—	—	1,180.8	—
—BT contracts	—	375.0	1,484.4	—
Subtotal	**—**	**785.2**	**4,096.6**	**653.2**
Total	**2,169.8**	**6,445.3**	**7,197.7**	**1,822.5**

Business Process for Different Contracting Projects

The general business process involved in our different contracting projects (including BOO projects) is shown in the following diagram:



Project Feasibility Study and Internal Approval (only applicable to BT/BOO projects)

We conduct resources prospecting and site selection activities at the earliest stage of project development to identify potential sites that we believe will be suitable for development. We focus primarily on quality PV and wind energy located in prime energy regions in China with centralized development plans, such as Xinjiang and Inner Mongolia. In particular,

- For PV projects, we focus on those PV resources capable of producing over 1,300 hours of PV utilization in a year; for wind power projects, we focus on those wind power resources capable of producing over 1,800 hours of wind power utilization in a year.
- We prefer locations along the ultra-high voltage power grids in China, with sufficient power transmission capacity; or locations with the ability to consume most of the local electricity generation.

We prepare a comprehensive plan for PV or wind resource assessment with the help of our in-house design institutes and conduct an on-site inspection to determine the scope of development.

- For PV projects, once our plan receives the preliminary approval from the local government, we collect meteorological data from local weather bureau and conduct on-site inspections to assess whether the geographic condition of the site is suitable to build PV project. Once we identify suitable PV resources and suitable geographic site condition, we submit the feasibility study (including market research, financing planning, resources exploration, resources evaluation and efficiency evaluation) and the development proposal for our internal review. Taking into account the local government policies on resources development, we prepare a detailed application report that we file with the local DRC during the approval and permission process.
- For wind power projects, once our plan receives the preliminary approval from the local government, we collect site-specific wind data from local weather bureau or installing meteorological towers. We typically require a minimum of 12 months' wind data to assess the feasibility of a wind power project, and submit such wind data to the local planning authorities and weather bureau. Once we identify suitable resources, we submit the feasibility study (including market research, financing planning, resources exploration, resources evaluation and efficiency evaluation) and the development proposal for our internal review. After a thorough assessment of wind data and feasibility studies on-site, our in-house design institutes we engage prepare a detailed application report that we file with the local DRC during the approval and permission process.

Obtaining Necessary Resources and Approval (only applicable to BT/BOO projects)

After the relevant authority of the PRC approves the application report for the project, we will set up a project company and apply for all other required approvals before commencing construction, such as business licences or approvals related to the plant site, land use rights and the commencement of the construction.

Project Selection (only applicable to EPC/PC projects)

After obtaining information for a potential tender, we will form a price quotation group comprising the management and professional personnel with experience in bidding, contracting and budgeting to assess the bidding environment based on the content and requirements of the bidding document so as to estimate the construction cost and profit, evaluate the bidding risks and develop the bidding strategies. We evaluate various factors to determine our bid, including, among others, technical requirements, specifications, project scale, duration, contract terms, special requirements of the project, status of competitors and customers, risks of the project, our technology capability, competitive advantages and disadvantages and the availability of our resources.

Bidding Process (only applicable to EPC/PC projects)

We typically obtain the tender information about the owners through our marketing department and participate in bidding in order to win an engineering and construction contracting contract.

We are often required to provide a guarantee, principally in the form of cash, when bidding. The amount of bidding guarantee is generally a fixed amount.

After we are selected as an EPC or PC contractor on a project, we will generally receive a written notice to engage in further negotiations to finalize and formalize the key contract terms with the project owner.

The table below sets forth certain information in relation to our bidding process of our EPC and PC projects for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Number of tender submitted	46	57	50	21
Number of tender won	15	27	18	11
Tender success rate (%)	32.6	47.4	36.0	52.4

Engineering Design (only applicable to EPC/BT/BOO projects)

We are responsible for preparing the work plan, design task coordination sheet and design tasks. An initial design will be prepared and reviewed, to serve as the basis of the construction blueprint, which include, among others, the initial design proposal, equipment list, engineering and procurement specification manuals, technology agreement and various design estimates.

Based on the initial design, a construction drawing will be prepared to form part of the design output for later stage of design verification and design review. Design verification includes checking, examining and reviewing the design documents of each phase by experts with appropriate qualification. Such persons who undertake checks and examinations are required to inspect design papers and calculation sheets, and check the calculations through alternative methods. Certain design documents are required to be approved by experienced professionals and review records will be carried out, including verification results and follow-up measures, and design verification records will be maintained.

When a design output is completed, they shall be documented and approved as required before their release and reviewed by relevant departments/persons to ensure design output meets the design input requirements. If necessary, equipment/material procurement information, operational procedure instructions, requisite acceptance standards and design characteristics that significantly relate to safe production and normal working relationship shall be marked and explained in such documents.

Procurement (applicable to all types of projects)

Procurement includes planning, order placement and tracing, inspection, transportation, materials management and the management of subcontractor procurement. We procure major materials and equipment, including PV modules, inverters and grid-connection equipment for PV projects, wind turbines and towers for our wind power plants, and labor services from independent third-party suppliers in China and generally through bidding. We also sourced inverters and PV modules internally. For circumstances where we would be required to source such materials and equipment from external suppliers, see "*—Inverter Manufacturing*" and "*—PV Wafer and Module Manufacturing—PV Module Manufacturing*." We strive to ensure the necessary equipment, materials and related services can be procured at acceptable quantities and quality in a timely manner. We tend to select our suppliers based on stringent criteria, such as their reputation, quality and ability to bear risks. During the Track Record Period, we did not maintain any long-term supply contract in our Engineering and Construction Contracting business.

We maintain a list of accredited suppliers and conduct performance evaluation on these suppliers annually, as well as monthly review. Our PV products and wind turbines suppliers generally grant us a credit period of around six months, and we settle our purchases of PV products and wind turbines by a combination of cash and bank acceptance notes.

Construction (applicable to all types of projects)

The construction phase involves the construction of power generating facilities and installation of equipment on-site.

We outsource part of our construction work and act as the general contractor, conducting overall project management. Our construction managers will review construction subcontractors' performance based on work progress, quality of the work completed, safety of the construction site and compliance with regulatory and project requirements. In order to ensure that our construction sub-contractors comply with the regulatory and project requirements, we normally identify the items that should be inspected for each project to ensure our subcontractors' compliance and inspect these items from time to time throughout the construction process. See "—*Subcontracting*" below.

Testing and Inspection (applicable to all types of projects)

This stage involves the inspection of individual parts or items in a project as well as inspection of the entire project. The inspection of individual parts of a project requires the contractor to issue the Notification of Acceptance and Completion of the Project upon signing and confirmation by the supervisor of the completion report and inspection receipt submitted by it. The Notification of Acceptance and Completion of the Project should explain the completion of the project, the inspection and acceptance of the project, test running of the equipment, and generation of power to be performed after delivery of the project. The inspection of the entire project occurs after the completion of the construction project pursuant to the design requirements and the whole project has been accepted according to the inspection standards. The inspection of the entire project should be conducted by the construction and supervision departments appointed by the project owner. In general, inspection of the entire project is warranted only after conducting inspections of all individual parts or items of the project.

Project Handover (only applicable to EPC/PC/BT projects)

After completion of inspection of the entire project, the project will be handed over to the respective project owner or purchaser.

After Sales Services (only applicable to EPC/PC/BT projects)

Upon completion of the entire work scope of an EPC/PC project, we notify the project owner to carry out a final examination and acceptance of our work. The owner makes the final payment to us pursuant to the contract upon the acceptance of work and will generally withhold an amount equal to 5% to 10% of the contract price as retention funds for any defects in the quality of our work for the length of the maintenance period. For a BT project, the project company will also withhold an amount equal to 5% to 10% of the contract price as retention funds.

The contractual warranty period provided in our contracting contracts is usually one to three years after the completion of a project. During this warranty period, we are liable in accordance with

the terms of the contract for any defects in our work. As the project owner generally withholds the retention funds for any defects in the quality of our work, which will be recorded as "account receivables" on our balance sheet, we make provisions accordingly on these account receivables.

As of December 31, 2012, 2013, 2014 and June 30, 2015, our retention funds amounted to approximately RMB180.9 million, RMB177.6 million, RMB202.5 million and RMB343.0 million, respectively. During the Track Record Period, we had not received any material complaint from our customers about the quality of our work, and none of our customers had defaulted on their obligation to release retention funds.

Transfer of Equity Interest (only applicable to BT projects)

Before October 2014, it was our practice to enter into a transfer agreement with a purchaser at different development stages of a PV project under the BT model, so as to transfer all or a majority of equity interest in the project company to the purchaser, and cover our costs of construction (including subcontracting and financing costs) and the registered capital of the project company. As a result of the changes in government policies in the PRC PV industry, after October 2014, we can only transfer our PV project company after a BT project is completed and commenced on-grid power generation, but we can continue to conduct commercial negotiation with a potential purchaser at any development stage of the project.

The key contract terms of an equity transfer agreement include the share transfer price (typically the amount of the registered capital of the project company), payment terms and the changes of corporate registration information associated with the project company.

As of June 30, 2015, we retained minority interests (between 10% and 50%) in six PV and wind power companies after they were sold to the purchasers under the relevant transfer agreements.

Operations and Maintenance

We also provide operations and maintenance services to some of our EPC, PC or BT projects as well as to all of our BOO projects in the future.

When a BOO project is completed, we will enter into a grid-connection agreement and power purchase agreement with the local power grid. Such agreements typically include on-grid tariff, payment, settlement and monthly scheduled electricity output, and we sell electricity to the grid based on the terms of the power purchase agreement.

Progress Payments under EPC/PC Contracts

We typically receive milestone payments based on the amount of work that we have completed. It typically takes us three to six months to complete an engineering and construction contracting project. Some of our construction contracts require the owners to pay between 10% and 30% of the total contract value to us in advance. Such amounts are typically paid shortly before the commencement date as provided in the contract. Our clients normally settle their payments with us by cash, telegraphic transfers or bank acceptance notes.

When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by

reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. For further details of the recognition of revenue from our engineering and construction contracts, see "*Financial Information—Critical Accounting Policies, Judgments and Estimates—Revenue recognition—Rendering of EPC services under construction contracts.*" It usually takes us about a week to prepare the progress report of an engineering and construction contracting project and submit such report to our customer at the end of each month. This report is required to be certified by a third-party compliance engineer appointed by our customer. We do not have a credit policy for these milestone payments. We usually reach an agreement on the terms of each progress payment with the project owners by taking into account factors such as, among other things, the credit history of the project owners, their liquidity position and our working capital needs.

Financing Arrangements

Under the EPC/PC contracting model, the project owner will be responsible for providing the financing for the construction, and, therefore, usually we, as the contractor, are not required to obtain the financing. However, when there is a timing mismatch between the date of receiving the progress payment from the project owner and the date of our payment for purchases of equipment and materials, we use our own capital or short-term bank borrowing to meet the short-term gap.

Under the BT/BOO business model, we typically finance approximately 70% to 80% of project costs through bank borrowings, and the reminder by our own funds. In addition, we also utilize bank acceptance notes to purchase raw materials for our BT/BOO projects. Typically, the term of our bank acceptance notes is six months.

Key Contract Terms for Our EPC/PC Projects

Most of our EPC or PC contracts set out the agreed price and the specific timetable for completion of a power project. We usually determine the price of a contract by a fixed unit price based on either the bidding price or the negotiated contract price. For negotiated contract, the contract price is generally based on the installed capacity of the power plant project, the difficulties of the work involved, the techniques employed and the local power price. Upon request by our clients, we quote the total contract price or the unit price for our work. Most of our engineering and construction contracting services contracts have a fixed contract price, while some contracts contain a price adjustment mechanism. When the price adjustment mechanism is triggered, for example, when design or scope of work changes, or under other circumstances which cause an interruption of construction and an increase in the cost, we may re-negotiate the contract price and enter into a supplemental agreement with the client. For engineering and construction contracting services contracts without price adjustment clauses, we generally include a contingent amount in our bid price in order to be protected from any possible cost increase. Our construction contracts typically contain the following provisions:

- *Payment terms*

  Most of our engineering and construction contracting services contracts generally require our clients to make a prepayment ranging from 10% to 30% of the total contract value to us shortly before the commencement of a project. It typically takes us three to six months to complete a power project, depending on the size of the project. Clients generally pay by certain milestone events according to our construction progress, with a summary of the

construction progress we prepared or approved by supervising engineers engaged by the clients. After the project is completed, we or the appointed supervising engineers will carry out final inspection on and acceptance of our construction work. If our completed work is determined to comply with the relevant completion and inspection standards, supervising engineers will then issue a formal completion and inspection report to our clients. Final payment (after deducting the retention funds as described below) is usually made to us within three months after monthly payment certificates or final payment certificates issued by the supervising engineers are sent to clients.

- *Project guarantees*

  Clients typically make a prepayment ranging from 10% to 30% of the contract value, while we provide them with a prepayment guarantee in an equal amount to ensure our ability to return the prepayment made by our client if we are not able to fulfill our contractual obligations. The prepayment guarantees are generally reduced in installments regularly or based on the actual project progress. When a construction contracting project enters into each construction stage as specified in the related contract, the client pays a certain amount of the contract value according to certain milestone events as the project progresses, which we refer to as progress payments. In order to ensure our performance of the obligations under the contracts, clients typically require us to provide performance guarantees (typically 10% of the contract value) to guarantee satisfactory completion of project by us. Performance guarantees are typically released after the lapse of a period of time as specified in contracts after completion of projects.

- *Liquidated damages*

  When a project is delayed due to reasons other than our fault, such as when extra or additional quantity and nature of work is required, or when delay is caused by inclement weather, abnormal geological structure or the project owners, we are usually allowed to extend the time of completion and are compensated for the extra costs arising therefrom. However, if delays result from our negligence, we are generally required to pay liquidated damages based on a certain amount or the agreed rate for each day of delay. If delays are caused by our negligence or defective work, the project owners are also entitled to engage other parties to complete the project, and deduct the additional costs or charges incurred for completion of the work from the contract price. During the Track Record Period, we did not pay any liquidated damages.

- *Retention funds*

  Clients generally withhold an amount equal to 5% to 10% of the contract value as retention funds when they make final payments to us as a security to the clients with respect to any possible defects of construction quality during the warranty period. The contractual warranty period is usually one to three years after completion of a project, and we normally receive the retention funds one to three years after completion of our projects. During the warranty period, we are responsible for any defects during construction under the terms of the contracts. We have set up comprehensive measures on quality control. See "*—Project Handover" and "—After-Sales Services.*"

- *Variations and adjustments*

  In the course of some of the construction projects, clients may revise or amend the original contract to reflect changes in specification or design, method or manner of execution,

facilities, equipment, site conditions or completion deadline. Generally, the revised contract price is re-assessed based on the unit price and total price under the original contract. If there is no change to the applicable unit price and total price in the original contract, they form the basis for valuation to the extent they are reasonable. Otherwise, a price is determined after our negotiation with the supervising engineers and project owners. Changes in the contract price and losses incurred by us due to changes in the project which are not a result of our negligence or default are usually borne by the project owners and the schedule of completion will generally be extended accordingly.

Subcontracting

In line with the market practice in China, we typically engage subcontractors for part of our construction work. All of our subcontractors are independent third parties, and we manage and supervise them to ensure quality control and project efficiency. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we incurred subcontracting charges of RMB330.6 million, RMB802.8 million, RMB982.4 million and RMB454.8 million, respectively.

We generally select subcontractors through tenders based on, among others, its qualifications, past performance, personnel credentials, financial strength and proposed subcontract fees. The subcontracting agreements primarily set forth the principal terms relating to fees, scope of work, technological standards or service quality, delivery time, payment, project management, bonds, insurance, liabilities and compensation, which generally reflect the terms and conditions of our main contract. The duration of each subcontracting agreement generally depends on the progress, scope and other needs of the project.

We take a number of measures to manage and monitor the performance of our subcontractors in terms of both quality and delivery time and to ensure compliance with the applicable safety and environmental protection requirements. For example, we hold periodic meetings with subcontractors and typically require subcontractors to submit monthly reports to us regarding their work progress. We carry out on-site inspections, and all projects have on-site supervisors and technological consultants to monitor subcontractors' work and ensure compliance with the relevant government rules and regulations. To maintain our desired technological standards, we would generally design the construction technology plan and closely manage its execution by the subcontractors. Pursuant to the subcontracting agreements, we are also generally entitled to compensation if the subcontractors fail to meet the prescribed requirements of quality, delivery time, technologies, and safety and environmental protection standards.

Under our subcontracting agreements, our subcontractors typically remain liable for their activities in violation of laws and regulations. Under the PRC law, we as the main contractor are liable to our customers and third parties for the wrongdoings of our subcontractors, and we have a right of recourse against our subcontractors. Pursuant to the subcontracting agreements, the subcontractors typically are also held liable for those of our damages caused by them. See "*Risk Factors—Risks relating to Our Business and Industry—Risks relating to Our General Business Operations—We rely on third parties, including subcontractors and equipment suppliers, to complete certain projects and are also subject to risks arising from the non-performance, late performance or poor performance by such third parties*."

As of June 30, 2015, there were 36 qualified subcontractors on our list of construction sub-contractors, most of whom have maintained business relationships with us for four to five years. We review our list of construction subcontractors annually. During the Track Record Period, we did not

experience any material delay in the work of our subcontractors that led to any adverse impact on our operations, nor did we incur any significant damages, penalties or other liabilities arising from misconduct or contractual violations of our subcontractors.

Customers

During the Track Record Period, our major customers for Engineering and Construction Contracting business are large state-owned power generation enterprises and private PV enterprises in the PRC, who are independent third parties. We have maintained business relationships with these major customers for over three years.

Sales and Marketing

EPC projects in the PRC are generally awarded through public tenders, in which only qualified contractors may participate. As of June 30, 2015, our sales and marketing team comprises 252 sales persons in the marketing department of our headquarters and various branches, with 213 persons focusing on the PRC market and 39 persons on overseas market. Our local branches or offices in China and overseas collect local market intelligence, customer demands and tender information for new projects. Each branch or office then reports such information to the marketing department of our headquarters for the headquarters to arrange for the bid.

PV and wind power projects available for sale in China are relatively limited in supply, and our clients usually contact us for the negotiation of the purchase of our BT projects.

Quality Control

We normally carry out the following quality control duties pursuant to contracts with the project owner:

- formulate quality control policies, develop quality control processes and adopt quality control standards;
- set a detailed work flow and unified specifications for the work product of our design and consultancy segment;
- perform quality monitoring through professional evaluation, engaging relevant experts to perform comprehensive review and design verification; and
- establish quality supervision and management structures. Our quality supervision and construction management team is responsible for the overall quality control throughout the entire construction process from purchase of raw materials to construction to project acceptance.

Pursuant to our engineering and construction contracting contracts, we are responsible for products and equipment provided by our suppliers, although we have a right of recourse against our suppliers for defective supplies. To ensure the quality of our suppliers, our selection is based on stringent criteria, such as their reputation, quality and ability to bear risks. We have maintained business relationships with PV products suppliers for three to five years and with wind turbines suppliers for two to three years.

Research and Development

Our research and development activities in the Engineering and Construction Contracting business focus primarily on the following:

- research activities on maximizing the power generation of a PV or wind power project; and
- research activities on stable grid connection technology; and
- research activities on reducing the project costs.

We have undertaken various National High-tech Research and Development Programs (also known as the "863 Program" in China), such as the "Research and Development of Hundred Megawatt PV System Integration Technology and Key Equipments." Some of our research and development programs are also categorized as National Programs for Science and Technology Development, such as the "Research and Development of the Demonstrative 100kW PV Plant and Related Technology" and the "Research and Development of Technology for Megawatt PV High Pressure and Grid Connected Power Generation."

Competition

Both the EPC and BT renewable energy project markets are relatively mature. The EPC project market has relatively low barriers to entry and is fragmented in China whereas the BT project market has higher entry barriers and is dominated by key players in China. For the BT market, we mainly face competition from the developers of PV and wind power projects in China. For the EPC market, we face competition from other EPC contractors in China and other joint ventures between EPC contractors and renewable energy companies. For our ranking and future market prospects of renewable energy project markets, see "*Industry Overview—China's PV and Wind Power Project Construction Industry*" and also "*—Future Trends in the Renewable Energy Construction Industry.*"

Inverter Manufacturing

We also manufacture and sell ancillary equipment used in PV projects, principally inverters. An inverter is a key component of a PV project and is responsible for converting the direct current output of the PV cells into alternating current that can be fed into a commercial power grid. Our inverters have a service capacity ranging from 3.0kW to 1,250.0kW, with the 500.0kW inverter as the most popular product.

Leveraging on our leading market position and extensive experience in providing engineering and construction contracting services to renewable energy projects, our Inverter Manufacturing business focuses on producing high-quality and efficient inverter equipment that is customized around customer needs and can be marketed and sold together with our engineering and construction contracting services. During the Track Record Period, we sold our inverters internally to our Engineering and Construction Contracting business and also to third-party customers, principally PV project operators, unless (i) the supply and timing of supply of our inverters cannot match that of our Engineering and Construction Contracting business' demand; (ii) our Engineering and Construction Contracting business require inverters with special features or parameters; or (iii) project owner has specification in relation to the brand of inverters used.

Manufacturing Facilities and Production Capacity

Our inverter manufacturing facility is located in Xi'an, China. Our Xi'an Plant commenced commercial operation in 2010 with an initial inverter production capacity of 200.0MW. In 2013, we expanded its production capacity to 1,500.0MW in order to meet increasing customer demand for our products. The following table sets forth the production capacity of our Xi'an Plant as well as the key operating data of our Inverter Manufacturing business as of the dates or during the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Designed production capacity (MW)	200.0	1,500.0	1,500.0	1,500.0
Average production capacity[(1)] (MW)	200.0	1,200.0	1,500.0	750.0
Production output (MW)	257.0	1,128.0	1,349.0	840.0
Utilization rate[(2)]	128.5%	94.0%	89.9%	112.0%

(1) Average production capacity equals the aggregate of our production capacity for each month-end in a period divided by the number of months in such period.

(2) Utilization rate equals our production output in a period divided by our average production capacity in such period.

Quality Control

We place great emphasis on product quality control. We implemented an integrated product development model, which aims to achieve satisfactory product quality with shorten development time and reduced research costs. We have obtained ISO 9001 quality control system accreditation, and conduct quality control checks through the entire production process from receiving customer orders to delivering the finished goods. We own a professional testing laboratory to conduct various experiments and testing on inverters, together with our state-of-the-art manufacturing equipment and strong research and development capabilities, we ensure that our products deliver stable and reliable performance under all operating environment.

Customers and Sales

The customers of our Inverter Manufacturing business are similar to those of our Engineering and Construction Contracting business which mainly comprises large state-owned power generation enterprises and other privately-owned PV operators in the PRC, who are independent third parties. Our major inverter customers have maintained business relationships with us for over three years.

We typically use the inverters we manufacture in our Engineering and Construction Contracting business, unless the project owners specifically choose other suppliers. During the Track Record Period, substantially all of our sales of inverters were made within the PRC.

We price our inverters on a per watt basis. The market price for inverters is transparent in China and has been decreasing for the past few years, due to more advanced product design, lower cost of raw materials and greater competition. In 2012, 2013 and 2014 and the six months ended June 30, 2015, the average selling price (excluding VAT) of our inverters was RMB0.57/watt, RMB0.47/watt, RMB0.36/watt and RMB0.27/watt, respectively.

Suppliers of Raw Materials and Equipment

The majority of our raw materials for inverters manufacturing consist of electric power components, such as IGBT (Insulated Gate Bipolar Transistor), circuit breaker and capacitors. We source our raw materials mainly from domestic suppliers, most of which have maintained business relationship with us for over three years. We source our key manufacturing equipment for inverters primarily from leading domestic manufacturers.

Research and Development

Inverters, as a key component used in solar power generation, require high research and development devotion. As of June 30, 2015, we have a dedicated research and development team of 109 employees at our Xi'an Plant. Our research and development team is led by our chief engineer. Approximately 60% of these employees have master's degree or above. Most of the researchers have over six years of relevant industry experience. The primary objectives of our research and development team are to enhance our product quality by improving yield and lowering production costs.

We have undertaken inverter research and development projects which are categorized as National Programs for Science and Technology Development, such as the "500kW High-efficiency Large PV Inverters Research and Industrial Appliance" project, and the "Research and Development of 1.25MW PV Grid Power Inverter" project. In 2013, our "500kW High-efficiency Large PV Inverters Research and Industrial Appliance" project was awarded second prize of Engineering Industrial Technology Award in the PRC issued by China Machinery Industry Federation (中國機械工業聯合會) and Chinese Mechanical Engineering Society (中國機械工程學會).

Competition

A small number of key players dominate the inverter market, which is still at its early stage. We compete with both domestic and foreign inverter manufacturers. We compete with companies such as Sungrow Power Supply Co., Ltd. and Huawei Technologies Co., Ltd. in domestic market, and compete with international players, such as SMA Solar Technology AG and ASEA Brown Boveri Ltd., in the international market. Some of our current and potential competitors may have a longer operating history, wider name recognition, greater resources, larger customer base and greater economies of scale than us.

We believe that the key competitive factors for inverters include:

- conversion efficiency;
- cost competitiveness and price;
- structural design and software technology;
- intelligence and stability; and
- flexibility for system integration.

PV Wafer and Module Manufacturing

We commenced the manufacturing of PV wafer and PV modules in 2005 to take advantage of emerging opportunities in the PV market in China. Our PV Wafer and Module Manufacturing was profitable before 2011, and since 2011, such business has been suffering losses due to depressed

market prices of PV products, as a result of technology advancement, intense competition and overcapacity in the PV industry. As we will continue to focus on Polysilicon Production and Engineering and Construction Contracting (including BOO projects) going forward, we do not consider PV Wafer and Module Manufacturing as a principal business line. We expect our PV Wafer and Module Manufacturing to continue to suffer losses in the foreseeable future after the Global Offering.

PV Wafer Manufacturing

We manufacture PV wafers in our wafer production facilities in Urumqi, Xinjiang, which commenced operation in December 2005. We manufacture both monocrystalline and multicrystalline wafers. As of June 30, 2015, we had an annualized designed production capacity of 200.0MW.

The following table sets forth the key operating data in our PV wafer manufacturing business:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Designed production capacity (MW)	200.0	200.0	200.0	100.0
Production output (MW)	124.0	123.0	141.0	80.0
Utilization rate	62.0%	61.5%	70.5%	80.0%
Average selling price (RMB/kW and excluding VAT)	1,865.1	1,445.2	1,806.9	1,290.4

Production of wafers can be divided into two main steps:

- ***Production of multicrystalline and monocrystalline ingots***. To produce multicrystalline ingots, we use polysilicon casting furnace. We place the prepared polysilicon feedstock in crucibles and each crucible is loaded into our crystalline ingot casting furnaces for melting and crystallization. Multicrystalline ingots formed during the crystallization process are then cut into smaller blocks with a squarer, in a process known as squaring. We have been engaged in research and development efforts in collaboration with crystalline ingot casting furnace manufacturers to increase the number of wafers that can be produced per standard ingot, which resulted in an increased yield and utilization rate in 2014. To produce monocrystalline ingots, we place polysilicon into a quartz crucible in a furnace, where the polysilicon is melted. Then a thin crystal seed is dipped into the molten silicon to determine the crystal orientation. The seed is rotated and then slowly extracted from the molten silicon to form a single crystal as the molten silicon and crucible cool. Once the single crystals have been grown to pre-determined specifications, they are surface-ground to produce ingots. The uniform properties of a single crystal promote the conductivity of electrons, thus yielding higher conversion efficiencies.
- ***Wafering***. After inspection, the multicrystalline ingots and monocrystalline ingots are cropped and prepared for slicing. Then the multicrystalline ingots and monocrystalline ingots are sliced into wafers by wire saws. We then wash and dry the wafers at our wafer cleaning stations for final inspection, packaging and delivery.

We source polysilicon feedstock from multiple sources in China and overseas, including us, based primarily on the selling prices. During the Track Record Period, we sourced a majority of our polysilicon feedstock from independent third-party suppliers in China and overseas, with the remainder from our in-house production of polysilicon. We source polysilicon feedstock primarily from third-

party suppliers for our PV Wafer Manufacturing due to the cost advantages we can enjoy. This is because (i) our scale of ingot production is comparatively small and prior to production, the input of different grades of polysilicon feedstock for a mixture to undergo the cropping and slicing process is required; (ii) polysilicon we produced in-house is of higher quality and selling price compared to polysilicon feedstock we sourced from third-party suppliers and therefore our production cost for PV wafers would increase if we purchase polysilicon feedstock primarily from our in-house production; and (iii) the production of multicrystalline ingots requires the secondary feeding of grained- or crushed- silicon which we do not produce. Major customers of our PV wafers include integrated PV products manufacturers and PV cells manufacturers in China and oversees, with whom we have maintained business relationships over three years.

As the market competition for PV wafers is very intense, we believe that only large-scale wafer manufacturers, generally with production capacity over 1GW, are able to maintain a profitable wafer manufacturing business. To reduce the losses of our wafer manufacturing business, we intend to partner with large-scale PV products manufacturers in China through a joint venture development of wafer manufacturing under which we can share their technology and experience while leveraging our cost advantage of in-house electricity production.

PV Module Manufacturing

We commenced PV module production in 2005. We produce PV modules in our production facilities in Xi'an. Since inception, our annualized PV module production capacity has been 60.0MW. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we produced 21.2MW, 44.3MW, 29.5MW and nil of PV modules, respectively, substantially all which were consumed in-house by our EPC/BT projects. We only sourced PV modules from external suppliers when (i) the supply of our PV modules cannot support the demand of our Engineering and Construction Contracting business; (ii) the selling price of PV modules from external suppliers is substantially lower than that of our in-house PV modules; (iii) our Engineering and Construction Contracting business requires PV modules with special features or parameters; or (iv) a project owner has specifications in relation to the brand of PV modules used.

To reduce the losses of our PV module manufacturing business, we intend to provide original equipment manufacturer services and module inspection and PV project inspection services in order to diversify our revenue source.

MAJOR CUSTOMERS AND SUPPLIERS

In 2012, 2013 and 2014 and the six months ended June 30, 2015, sales to our five largest customers in aggregate accounted for approximately 38.9%, 28.5%, 26.3% and 42.5% of our revenue, respectively, and our largest customer accounted for approximately 16.2%, 8.6%, 6.8% and 15.7% of our revenue during those same periods, respectively.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, purchases from our five largest suppliers in aggregate accounted for approximately 18.9%, 22.7%, 25.2% and 18.9% of our total purchase, respectively, and purchases from our largest supplier accounted for approximately 5.0%, 7.6%, 8.5% and 6.3% of our total purchases, respectively.

Each of 特變電工阿瓦提縣新能源有限責任公司 ("TBEA Awat") and 吐魯番吐特變電工新能源有限公司 ("TBEA Turpan") was one of the top five customers of the Group during the Track Record Period and

owned as to 20% and 48%, respectively, as of December 31, 2013, by Xinjiang New Energy, a subsidiary of the Company in which the Company owned 98.58% equity interests as of the Latest Practicable Date. Save for the above indirect equity interests held through the Company, TBEA has no equity interests in each of TBEA Awat and TBEA Turpan. All of the Company's equity interests in TBEA Turpan, held through its subsidiaries, have been transferred to an independent third party on December 24, 2014. As of the Latest Practicable Date, TBEA Awat is owned as to 20% by Xinjiang New Energy. Save as otherwise disclosed in this prospectus, none of our Directors or their associates or, to the knowledge of our Directors, any Shareholder with over 5% of the share capital of our Company had any interest in any of our five largest customers or suppliers in 2012, 2013 and 2014 and the six months ended June 30, 2015. During the Track Record Period, we have not entered into exclusive or long-term contracts with our suppliers or customers.

During the Track Record Period, we engaged in the whole PV industry value chain, which consists of upstream segment (polysilicon production), midstream segment (inverter, PV wafer and module manufacturing) and downstream segment (engineering and construction contracting). We therefore had certain overlapping customers in one business segment who were also suppliers in another business segment, during the Track Record Period.

LICENSES AND QUALIFICATIONS

As of the Latest Practicable Date, we hold various professional qualifications or licenses for our business operations, primarily including:

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry
Polysilicon Production				
Electricity Business Permit 《電力業務許可證》	Xinte Energy Co., Ltd.	NEA Xinjiang Regulatory Office 國家能源局新疆監管辦公室	March 23, 2015	March 22, 2035
Safety Manufacturing Permit 《安全生產許可證》	Xinte Energy Co., Ltd.	Xinjiang Uygur Autonomous Region Administration of Work Safety 新疆維吾爾自治區安全生產監督管理局	February 14, 2014	February 13, 2017
Filing Certificate on the Production of Non-Pharmaceutical Precursor Chemicals 《非藥品類易制毒化學品生產備案證明》	Xinte Energy Co., Ltd.	Urumqi Administration of Work Safety 烏魯木齊市安全生產監督管理局	July 4, 2014	July 3, 2017
Engineering and Construction Contracting Services				
Permit for Installation (Maintenance and Testing) of Power Facilities 《承裝（修、試）電力設施許可證》	TBEA Xinjiang New Energy Co., Ltd.	State Electricity Regulatory Commission Northwest Regulatory Authority 國家電力監督委員會西北監管局	November 15, 2010	November 14, 2016

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry
Qualification Certificate for Construction Enterprise 《建築業企業資質證書》	TBEA Xinjiang New Energy Co., Ltd.	Xinjiang Uygur Autonomous Region Housing and Urban Construction Department 新疆維吾爾自治區住房和城鄉建設廳	June 13, 2014	June 12, 2019
Safety Manufacturing Permit 《安全生產許可證》	TBEA Xinjiang New Energy Co., Ltd.	Xinjiang Uygur Autonomous Region Housing and Urban Construction Department 新疆維吾爾自治區住房和城鄉建設廳	May 25, 2014	May 24, 2017
Competency Certificate for Electrical Engineering Commissioning Unit 《電力工程調試單位能力資格等級證書》	TBEA Xinjiang New Energy Co., Ltd.	China Electric Power Construction Association 中國電力建設企業協會	May 15, 2013	May 15, 2017
Qualification Certificate for Foreign Contracting Project 《對外承包工程資格證書》	TBEA Xinjiang New Energy Co., Ltd.	Xinjiang Uygur Autonomous Region Department of Commerce 新疆維吾爾自治區商務廳	September 10, 2014	n/a
Qualification Certificate for Engineering Design 《工程設計資質證書》 Grade: Power industry (new energy generation, substation engineering, power transmission engineering) B Grade 資質等級：電力行業（新能源發電、變電工程、送電工程）乙級	Xi'an TBEA Electric Power Design Co., Ltd.	Shaanxi Provincial Housing and Urban Construction Department 陝西省住房和城鄉建設廳	December 31, 2012	December 31, 2015
Qualification Certificate for Engineering Design 《工程設計資質證書》 Grade: Power industry (wind power generation) B Grade 資質等級為：電力行業（風力發電）乙級	Xi'an TBEA Electric Power Design Co., Ltd.	Shaanxi Provincial Housing and Urban Construction Department 陝西省住房和城鄉建設廳	June 24, 2013	June 24, 2016
Qualification Certificate for Engineering Consultancy Unit《工程諮詢單位資格證書》	Xi'an TBEA Electric Power Design Co., Ltd.	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)	August 14, 2014	August 13, 2019

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry
Qualification Certificate for Engineering Survey 《工程勘察資質證書》	Xi'an TBEA Electric Power Design Co., Ltd.	Shaanxi Provincial Housing and Urban Construction Department 陝西省住房和城鄉建設廳	December 2, 2014	December 2, 2017

We possess all qualifications that are required for our current business operations and renew our licenses and qualifications from time to time. We plan to obtain further qualifications in the future along with the development and expansion of our business.

AWARDS

The following table sets forth some of the most important corporate and project awards we have received from the relevant authorities and organizations in the PRC in recognition of our business and capabilities during the Track Record Period:

Corporate Awards

Year	Award	Issuing Authority
2014	Key hi tech enterprise of national Torch Plan (國家火炬計劃重點高新技術企業)	Ministry of Science and Technology (國家科技部)
2014	Ten most popular PV power station enterprise (最受歡迎十佳光伏電站 EPC 企業)	China International New Energy Conference & Exhibition Organizing Committee (Wuxi) (中國(無錫)國際新能源的大會暨展覽會組委會)
2014	The Most Popular EPC Project Contractor (最受歡迎 EPC 項目總承包商)	China Electrical Equipment Industrial Association (中國電器工業協會)
2014	Top 10 Innovative and Influential Brand names in China's PV Industry (中國光伏行業十大創新品牌影響力企業)	Modern PV Magazine, Global Photovoltaic Network and China Clean Energy Network (MPV《現代光伏雜志》、全球太陽能光伏網、清潔能源網聯合主辦)
2014	Top 10 Innovative EPC Enterprises in China's PV Industry for Power Stations 2014 (2014 中國光伏行業十大創新電站 EPC 企業)	Modern PV Magazine, Global Photovoltaic Network and China Clean Energy Network (MPV《現代光伏雜志》、全球太陽能光伏網、清潔能源網聯合主辦)
2013	2013 Excellent Service Provider in PV Power Plant Award (2013 中國光伏電站——卓越服務商大獎)	China Energy News (中國能源報)
2013	2nd Grade Award for Industrialization Research and Application of Electronic-Grade Polycrystalline Silicon 2013 (2013 年度電子級多晶矽產業化研究及應用二等獎)	People's Government of Xinjiang Uyghur Autonomous Region (新疆維吾爾自治區人民政府)

Project Awards

Year	Product/Project	Award	Issuing Authority
2014	500MW PV inverters	National Key New Product (國家重點新產品)	Ministry of Science and Technology
2014	Development of a grid-connected inverter and its AC output filtering (一種並網逆變器及其交流輸出濾波方法)	Outstanding Prize, 16th China Patents Award (第十六屆中國專利獎優秀獎)	State Intellectual Property Office of the P.R.C. (國家知識產權局)
2013	Method and device for recycling tail gas recovery in polysilicon production (一種多晶矽生產中還原尾氣熱能回收利用的方法和裝置)	Outstanding Prize, 15th China Patents Award (第十五屆中國專利優秀獎)	State Intellectual Property Office of the P.R.C. (國家知識產權局)
2013	Research and application of industrial use of electronic grade polycrystalline silicon (電子級多晶矽產業化研究及應用項目)	Science & Technology Progress Award (Second Award) (科學技術進步獎二等獎)	Xinjiang Uygur Autonomous Region Government (新疆維吾爾自治區人民政府)
2013	PV grid-connected inverters	Second Prize of Science and Technology Award of Shaanxi Province (陝西省科學技術二等獎)	Department of Science and Technology of Shaanxi Province
2013	Development of single unit 500kW PV connected inverters (單機 500kW 光伏並網逆變器的研製)	2nd Grade Award for Technological Advancement (科技進步二等獎)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
2013	500 kW PV Grid-connected Inverter Research and Industrial Application (500kW 高效大功率太陽能光伏並網逆變器研發及產業化應用)	China Machinery Industry Science and Technology Award (中國機械工業科學技術獎二等獎)	China Machinery Industry Federation (中國機械工業聯合會)
2012	Method and device for vaporizing hydrogen chloride in tail gas in polysilicon production (一種多晶矽生產中汽化尾氣中氯化氫的方法及其裝置)	Silver Award, China Inventions Exhibition (中國發明展覽會銀獎)	China Invention Association (中國發明協會)
2012	Tai Yang Shan 30MW PV Power Plant Project (太陽山光伏並網電站 30MW 項目)	China Electricity Quality Engineering Award (中國電力優質工程獎)	China Electric Power Construction Association (中國電力建設企業協會)
2012	Single unit 500kW PV connected inverters (單機 500kW 太陽能並網逆變器)	China Achievement Award for Innovative Integration of Industrial, Academic and Research Results 2012 (2012 年中國產學研合作創新成果獎)	China Association for Promotion of Cooperation among Industries, Universities and Research Institutes (中國產學研合作促進會)

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, sewage and waste discharge and other environmental matters.

We have established environmental management systems (ISO 14001) and obtained the relevant certifications. We have also implemented a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during our business operations. In particular, our advanced closed-loop polysilicon production process not only promotes production efficiency but also significantly reduces pollution. We have undertaken various measures to reduce the impact of our polysilicon production on the environment. These measures include monitoring and controlling solid waste, waste water, exhaust fumes, and noise, which correspond to the four areas where our operations may have an environmental impact:

- *Solid waste*. We send hazardous solid waste from our production to licensed hazardous waste disposal companies for further handling and send harmless solid waste to the specific common landfill in such region.
- *Waste water*. We chemically treat the various types of waste water to harmless levels before discharging it to our dedicated sewage network. We have an on-site waste water treatment station with a 1,150 cubic-meter daily treatment capacity.
- *Exhaust fumes.* We chemically treat the various types of exhaust fumes to harmless levels before discharging them into the atmosphere.
- *Noise.* We have installed various shock-absorption and sound-reduction devices on our plants to lower the noise impact of our production to the environment.

In our engineering and construction contracting business, we place an emphasis on environmental protection and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally-friendly technologies and products.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, we incurred costs of approximately RMB0.5 million, RMB4.6 million, RMB3.7 million and RMB0.7 million, respectively, for compliance with environmental obligations under PRC laws and regulations. We expect our compliance cost to remain stable in the foreseeable future, assuming no substantial change in the regulatory environment.

During the Track Record Period, we did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As of the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation and, to the best of our knowledge, we are not aware of any warning or pending action by any environmental regulatory authority in China or overseas.

HEALTH AND SAFETY COMPLIANCE

We regard occupational health and safety as one of our important corporate and social responsibilities. We have implemented various system standards, such as GB/T28001-2011, in accordance with the health and safety supervision and management model comprising government supervision, social monitoring, corporate internal control and external certification bodies.

Pursuant to the PRC Work Safety Law (中華人民共和國安全生產法), the Regulations on Work Safety Accident Reporting and Investigation (生產安全事故報告和調查處理條例) and the Measures of Work Safety Permits (安全生產許可證條例), we have implemented various health and safety measures, such as hazard source identification measures, risk assessment and control measures and contingency preparation and response measures. We also promote health and safety through training programs and awareness campaigns. To date, we have maintained an excellent safety record. During the Track Record Period, we and our subcontractors had no work-related fatalities and received no claims resulting from property damage or personal injury.

In particular, our Xinjiang and Xi'an Plants are designed as safe working environments. We have a designated safety and health department in each of our plants. We have adopted a set of production safety procedures that we require our employees to follow and we provide related training to our employees. Our team leaders are regularly required to confirm production safety and our managers are accountable for any failure to observe our safety procedures. Incidents are reported according to PRC laws and regulations, and investigations are carried out to determine the root causes and to recommend improvements. We require our employees who operate special equipment to undergo necessary training before they are allowed to operate such equipment. We conduct regular mandatory maintenance on our equipment to ensure proper and safe working conditions. We have established an occupational health and safety management system issued by the China Quality Certification Center, and obtained the relevant certifications.

PROPERTIES

Our headquarters are located at No. 2449, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang, PRC. As of the Latest Practicable Date, we owned 168 buildings in China with an aggregate gross floor area of approximately 460,012.5 square meters and 36 parcels of land with an aggregate site area of approximately 10,810,320.0 square meters. In addition, we leased 79 buildings with an aggregate gross floor area of approximately 29,362.2 square meters and four parcels of land with a site area of approximately 5,802,269.3 square meters.

As of June 30, 2015, our property interests represented 13.7% of our total assets. Accordingly, this prospectus is exempt from the requirements under the Hong Kong Listing Rules and the Companies Ordinance to include a property valuation report. Pursuant to Rule 5.01A of the Hong Kong Listing Rules, a prospectus is exempt from this requirement if the carrying amounts of a listing applicant's property activities and non-property activities are below 1.0% and 15.0%, respectively. A similar exemption applies under section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, with respect to the requirement under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Buildings

As of the Latest Practicable Date, we have obtained valid building ownership certificates for all of our 168 owned buildings. Our PRC legal advisers confirmed that we have the legal ownership of these buildings and therefore have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings, except for the buildings pledged by us, which can be disposed upon the consent of the pledgees.

As of the Latest Practicable Date, among our 168 owned buildings in the PRC, we pledged four buildings with an aggregate gross floor area of approximately 21,379.1 square meters.

Owned Land

As of the Latest Practicable Date, we owned 36 parcels of land with a total site area of 10,810,320.0 square meters. We used them to build our offices and manufacturing facilities as well as for our pipeline BT projects.

Among our 36 owned parcels, we obtained valid land use rights certificates for 29 parcels with an aggregate site area of 8,125,650.0 square meters. Our PRC legal advisers confirmed that we have the valid land use rights on these 29 parcels and therefore are entitled to occupy and use such land.

As of the Latest Practicable Date, we are in the process of obtaining valid land use right certificates and relevant government approvals for the remaining seven parcels of land, with an aggregate site area of approximately 2,684,670.0 square meters, accounting for approximately 16.2% of our owned and leased land. As advised by our PRC legal advisers, for four parcels of land obtained by us through land grant, once we obtain the land use rights certificate, we will have the valid land use rights on that parcel of land and therefore are entitled to occupy and use such land, but our rights to transfer, lease, mortgage or dispose of such land are restricted unless we obtain the granted land use right certificate. For the other three parcels of land obtained by us through allocation, once we obtain the valid land use rights certificates and approval from the relevant land administrative departments of county level or above, we will have the valid land use rights on these parcels of land and therefore are entitled to occupy and use such land. Due to the nature of rights for land obtained through allocation, we will have limited rights to transfer, lease, mortgage or dispose of such land. These parcels of land are used for our pipeline BT projects and there have not been any dispute over such land. As advised by our PRC legal advisers, once the land use right certificate and/or the approval from the land and resources administrative department is obtained, the titles of the land use right of all the affected land would be validly held by the respective BT project company. When the BT project is completed, we will transfer the equity interests of the relevant BT project companies rather than any assets, including the land use right, of such companies. Upon the completion of equity transfer, the titles of the land use right of the affected land will continue to be held by the respective BT project company and the transferee will then replace the current shareholder(s) of the respective BT project company and become the shareholder of such company. Therefore, the land being not transferable does not constitute a legal impediment to transfer a BT project. Only if the project company has not obtained the land use right certificate when the project is completed and ready for transfer or there is any other restriction on the transfer of land use right, the value of the project may be affected and the parties may need to take into account such factors during commercial negotiation. Further, as advised by our PRC legal advisers, there is no material legal obstacle in obtaining the valid land use rights certificates for these parcels of land. Our Board expect to obtain the valid land use rights certificates for these parcels of land shortly after completion of such BT projects.

Leased Buildings

As of the Latest Practicable Date, we leased 78 buildings in the PRC with an aggregate gross floor area of approximately 29,352.2 square meters. Our leased buildings are primarily used for registered offices and general office purposes. We also leased one building to be used as warehouse and one to be used as manufacturing plant.

For 25 leased buildings with an aggregate gross floor area of 10,335.8 square meters, our landlords had provided us with the relevant building ownership certificates or the like. Our PRC legal advisers are of the view that for these 25 leased buildings, the lease agreements are legally effective and binding.

For the remaining 53 leased buildings with an aggregate gross floor area of 19,016.4 square meters, our landlords had not provided us with the relevant building ownership certificates. We use these 53 buildings primarily as our registered offices. As of the Latest Practicable Date, these 53 buildings only represented approximately 3.9% of the total gross floor area of the buildings we owned and leased. As of the Latest Practicable Date, we have not encountered any dispute over the valid title of the leased buildings. We do not consider these buildings, individually or collectively, crucial to our core business given their small size, and we believe we are able to relocate in a timely manner at minimum expense and this would not materially affect our business or financial position. As of the Latest Practicable Date, we are not aware of any incidents that have arisen due to the safety conditions of these buildings and we are not aware that the relevant building ownership certificates were not obtained due to the safety conditions of these buildings. In addition, our Directors are also of the view that the rental costs for the 53 buildings with defective title would not be materially different should the landlords obtain the relevant building ownership certificate and there would be no material impact on our business or financial condition arising from the defective titles for our 53 leased buildings.

Leased Land

As of the Latest Practicable Date, we leased four parcels of land, with a site area of approximately 5,802,269.3 square meters. However, for one parcel of land which we leased with a site area of approximately 1,022,671.9 square meters for a term of 50 years, from the local government of Ganzi, Sichuan Province, for constructing a PV project under the BT contracting model, our landlord for this parcel of land has not provided us with the valid land use right certificate. However, this landlord confirmed to us in its official capacity as the local government authority in Ganzi that it holds valid land use rights to this parcel of land and is therefore entitled to lease this parcel of land to us, and that it agreed not to lease this parcel of land to any other third party during the term of our lease. As advised by our PRC legal advisers, our Directors are of the view that this land with defective title will not have a material and adverse effect on our business and this Global Offering.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 308 patents in the PRC and 69 pending patent applications. We had eight software copyrights registered in China and 68 registered trademarks.

Intellectual property protection is of utmost importance to us. We rely on a combination of patents, copyrights and contractual rights to protect our intellectual property. Our employees are required to sign employment contracts containing provisions which prohibit the disclosure of any of our proprietary technologies and business secrets. Furthermore, we generally seek patent protection on any new inventions, product improvements or technologies we develop. We seek to preserve our patent and other intellectual property rights against third-party misappropriation, though there is no assurance of the success of such act of preservation. See "*Risk Factors—Risks Relating to Our Business and Industry—Risks relating to our General Business Operations—We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness, and may be exposed to infringement or misappropriation claims by third parties for improperly using intellectual property owned by others or otherwise infringing their rights in intellectual property, which could damage our reputation, cause us to pay significant damage awards or adversely affect our financial condition and*

profitability." During the Track Record Period and as of the Latest Practicable Date, we were not aware of any material dispute arising from, violations or infringement of our patents, trademarks and intellectual property rights. See "*Appendix VI—Statutory and General Information—2. Further Information about Our Business—B. Our Intellectual property rights*."

EMPLOYEES

As of June 30, 2015 and the Latest Practicable Date, we had a total of 3,784 employees and 4,204 employees, respectively. The following table sets forth a breakdown of our employees, by different functions, as of June 30, 2015 and the Latest Practicable Date:

Function	As of June 30, 2015	As of the Latest Practicable Date
Operation and Management	574	640
Technical	857	934
Producing	1,395	1,541
Engineering and Management	363	434
Sales and Marketing	434	488
Others	161	167
Total	**3,784**	**4,204**

The following table sets forth a breakdown of our employees by geographic region as of June 30, 2015 and the Latest Practicable Date:

	As of June 30, 2015	As of the Latest Practicable Date
Xinjiang Province	3,055	3,356
Xi'an City	726	843
Overseas	3	5
Total	**3,784**	**4,204**

We mainly rely on campus recruiting, referrals and recruiting agents to hire new employees. In accordance with the relevant PRC governmental requirements applicable to us in the regions where we operate, we make contributions to medical, unemployment, maternity, injury insurance and pension schemes for our contract employees. The amount of our contributions is based on a percentage of each contract employee's total salary, as required by relevant governmental authorities in China. We also make contributions to the housing funds for our contract employees, in accordance with applicable PRC laws and regulations.

In order to improve the professional skills of our employees, we have established comprehensive and diverse training programs for our employees, including the training courses for professional qualification exams, such as certified public accountant and architect. In addition, through our collaboration programs with some of the renowned institutions and universities in China, such as Chinese Academy of Sciences, Harbin Institute of Technology and Tianjin University, some of our employees may pursue professional programs in these institutions and universities.

In order to build our corporate culture and improve loyalty of our employees, we provide our employees with supplementary compensation benefits, such as transportation and dining subsidies,

dormitories and special assistance to employees coming from disadvantaged families. We also organize company-wide activities such as collective weddings and other entertainment activities from time to time.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strike, labor dispute or other labor disturbances which have materially and adversely interrupted our operations. We have established a labor union and we believe that we have maintained a good relationship with our employees and value their importance at all times.

INSURANCE

With regard to our Engineering and Construction Contracting business, we are normally responsible for the purchase of certain insurance, including insurance for the installation all-risks insurance and third party liability insurance, to provide coverage for personal injury, disease or property loss suffered by third parties in the work site and in adjacent areas caused by accidents directly relating to machinery, equipment and civil works as well as works covered by the insurance contract.

Save for our Engineering and Construction Contracting business, we maintain insurance coverage in amounts that we believe are consistent with our risk of loss and customary practice in the industry. In accordance with relevant PRC laws and regulations, we also purchase pension, medical, unemployment, work injury and maternity insurance for our employees and accident insurance for overseas and on-site workers. Our subcontractors purchase migrant workers' occupational injury insurance for on-site workers (if applicable). In addition, we also purchase additional accident insurance coverage for relevant employees as required.

We also purchase property all-risks insurance and property damage insurance.

LEGAL COMPLIANCE AND PROCEEDINGS

Our Directors and PRC legal advisers, Grandall Law Firm (Beijing), confirmed that, during the Track Record Period and as of the Latest Practicable Date, we have complied with the relevant PRC laws and regulations in all material respects and obtained all licenses, approval and permits material to our operations in accordance with the PRC laws and regulations. We renew our licenses, approvals or permits from time to time to comply with the relevant laws and regulations.

We are a party to a number of legal proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, our Directors confirmed that there is no legal proceeding pending or threatened against us or our Directors that could have a material adverse effect on our business, financial condition and results of operations. However, during the Track Record Period, we were involved in two material legal proceedings, each of which had a potential claim against us of over RMB10 million:

- ***Jiangsu Zhongneng Case:***

  In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") initiated a civil lawsuit against us with the People's Court in Jiangsu for alleged infringements by us of certain intellectual property rights and trade secrets which claimed to be owned by Jiangsu Zhongneng, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silane-based FBR technology. Jiangsu Zhongneng sought a compensatory damage of RMB60 million against us. In December

2014, after our appeals, the Supreme People's Court in China ruled in our favor that the People's Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against us in relation to the infringement of intellectual property rights in December 2014. As of the Latest Practicable Date, the claim on the infringement of trade secrets remains pending and, to the knowledge of our Directors, we have not been informed of the process or status of the claim.

Given that (i) we have never applied the silane-based FBR technology in our Polysilicon Production business, and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, we believe that we did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been initiated, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits. As a result, we believe it is premature to estimate the financial impact associated with this legal proceeding with sufficient reliability, and therefore we did not set aside any provision for this case.

- ***Yingli Energy Case:***

  In June 2014, Yingli Energy (China) Co., Ltd. ("Yingli Energy") initiated a civil lawsuit against us with a Xinjiang court to recover receivables of approximately RMB15 million under the purchase agreements entered into between Yingli Energy and us in 2012, under which we ordered and purchased certain PV modules from Yingli Energy as instructed by an EPC customer. In December 2014, the court ruled in our favor and, subsequently, Yingli Energy filed an appeal. As of the Latest Practicable Date, this contract dispute was still going through the appellate procedure.

  In 2012, as the general contractor, we entered into an EPC contract with a customer under which we were specifically requested to procure PV modules from Yingli Energy. Based on the terms of the purchase agreements entered into with Yingli Energy, our payment obligations to Yingli Energy would only arise after we have received the progress payments from the EPC project owner, which is our customer. We have actively sought to collect the receivables from our EPC customer, but as of the Latest Practicable Date, we still did not receive a portion of the progress payments, and therefore, we still maintained a portion of payables to Yingli Energy based upon the terms of the purchase agreements.

  Given that (i) our EPC customer informed us that it expects to pay us the remaining progress payments soon and therefore we expect to pay the remaining payables under the EPC contract in December 2015 or in 2016, and (ii) our receivables due from the EPC customer and our payables to Yingli Energy have been accounted for in our consolidated financial statements, we believe that, even if we should not prevail in the upcoming appellate trial, this contract dispute will not have any material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are devoted to establishing risk management and internal control systems that we consider to be appropriate to manage risks in our business operations, and we are dedicated to monitoring these

systems for effectiveness and modifying them as necessary as our business grows to maintain effectiveness. We have established internal control systems for various aspects of our operations. We set forth below some of the major risks we identified that are applicable to our operations and our internal control measures that we have adopted to manage these risks.

Risks identified	Our risk management measures and procedures
Occupational safety	We have implemented various system standards in accordance with the health and safety supervision and management model comprising government supervision, social monitoring, corporate internal control and external certification bodies. See "*—Healthy and Safety Compliance*."
Quality control	We adhere to a strict system of quality control over our operations, for different business segments. See "*—Our Products and Services—Polysilicon Production—Quality Control*", "*—Our Products and Services—Engineering and Construction Contracting—Quality Control*", "*—Our Products and Services—Inverter Manufacturing—Quality Control*."
Protection of our intellectual property rights	We rely on a combination of patents, copyrights and contractual rights to protect our intellectual property. See "*—Intellectual Property*."
Financial reporting	Our audit committee is responsible to review and supervise the effective implementation of our financial reporting system, internal control system and risk management system. See "*Directors, Supervisors and Senior Management—Audit Committee*."
Corporate governance	We have established four board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Hong Kong Listing Rules. See "*Directors, Supervisors and Senior Management—Board Committees*."

There are various other risks to our business and industry. See "*Risk factors—Risks Relating to Our Business and Industry*" in this prospectus. For various market risks, see "*Financial Information—Market Risk Disclosure*" in this prospectus.

HISTORICAL BUSINESS DEALINGS RELATED TO SANCTIONED COUNTRIES

The United States and other jurisdictions have comprehensive or broad economic sanctions targeting Crimea, Cuba, Iran, North Korea, Sudan, and Syria (collectively, "Sanctioned Countries") or certain targeted persons or entities, including, without limitation, those named on the U.S. specially designated nationals ("SDN") list, the U.S. sectoral sanctions identification list or the U.S. foreign sanctions evaders list and any entity owned or controlled by any of the foregoing (collectively, "Sanctioned Persons" and together with Sanctioned Countries, "Sanctions Targets"). During the Track Record Period, an insignificant amount of third-party PV products was sold through one of our trading subsidiaries to customers located in Sudan and Iran. Revenue derived from the sales to these countries in aggregate accounted for less than 0.02% of our total revenue in each of 2012, 2013 and 2014. These transactions involved the sales of third-party non-US origin PV products for civilian use, such as PV panels and wafers and were made on a contract-by-contract basis. The customers to these transactions are generally PV companies or trading companies located in Sudan and Iran that do not appear on the SDN list. Subsequent to December 2014, we have not sold any products to customers located in Sanctioned Countries. We have decided not to engage in any future business dealings with or relating to Sanctions Targets, in each case, except to the extent that economic sanctions are lifted against such Sanctions Targets.

We have obtained legal advice to the effect that there is little or no risk to us of extraterritorial sanctions due to our business activities and operations during the Track Record Period. We have not been notified of any sanctions that may be imposed on us due to our business activities and operations during the Track Record Period and up to the Latest Practicable Date.

We have obtained legal advice to the effect that we are not likely to be subject to liability under United States economic sanctions as to our business activities and operations during the Track Record Period on the basis that:

- none of our employees, officers, Directors, agents or other representatives is a citizen, national or permanent resident of the United States;
- neither we nor any of our subsidiaries, existing shareholders or associates is organized, incorporated, constituted or located within the United States, or is a branch of any entity organized, incorporated or constituted within the United States;
- our activities with or relating to Sanctions Targets have not and do not in any way involve U.S.-origin goods;
- we have not knowingly engaged in dealings that could allow for the imposition of secondary sanctions and in the future will not engage in any dealings with or relating to Iran, the Iranian government, the Iranian Revolutionary Guard, any Iranian entity, Sanctioned Persons, or any entity owned or controlled by any of the foregoing; and
- we do not participate in or facilitate deceptive transactions for or on behalf of any person subject to U.S. sanctions.

Pursuant to the foregoing, and moreover in light of, among other factors, the small volume (both in terms of volume and as a percentage of our total sales) of our past dealings with Sanctioned Targets and our agreement not to engage in future dealings with Sanctioned Targets and certain other undertakings made to the Hong Kong Stock Exchange (see "*—Our Undertakings*" below), and after consulting with our legal advisers, we are of the view that our business activities and operations are very unlikely to subject any of our shareholders and investors, the Hong Kong Stock Exchange, the Listing Committee of the Hong Kong Stock Exchange, HKSCC and HKSCC Nominees to any facilitation or other liability under United States economic sanctions.

Our Undertakings

We will not engage in any future business dealings with or relating to Sanctions Targets, in each case except to the extent those economic sanctions are lifted against such Sanctions Targets.

We will also undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctions Targets, regardless of the purpose, and that we will provide timely update as to our exposure to risks related to Sanction Targets in our annual and interim reports. If we breach these undertakings to the Hong Kong Stock Exchange after the Listing, it is possible that the Hong Kong Stock Exchange may delist our H Shares.

Internal Control Procedures

We will continuously monitor and evaluate our business and take measures to monitor our exposure to risks related to sanctions, to protect the interests of us and our shareholders and to comply

with our undertakings to the Hong Kong Stock Exchange. We undertake to implement the following internal control policies and procedures before listing:

- our legal department will continuously monitor new sanctions law or any change to the existing sanctions laws and seek advice from external legal counsel as necessary, to confirm that our business activities do not subject us to risks relating to sanctions;
- our senior management will review and approve our future overseas business opportunities and will decline such business if our senior management determine any Sanctions Targets may be involved;
- our marketing department will check and ensure that our relevant employees who are involved in overseas businesses understand and comply with our internal control policies and procedures as to economic sanctions and our undertakings and regular training or updates will be provided to such employees; and
- our marketing department will prepare regular overseas sales status reports and other information related to our overseas customers and economic sanctions for review by our Board.

Taking into account the foregoing, we believe that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risks relating to sanctions to protect the interests of us and our Shareholders. After undertaking relevant due diligence, taking into consideration the size of our historical business activities in the Sanctioned Countries, the undertakings committed by us as described above, the legal advice given to us, and subject to the full implementation and enforcement of these measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions in light of the current legal and regulatory requirements.