THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Solargiga Energy Holdings Limited** (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES, RE-ELECTION OF DIRECTORS, MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION, THE PROPOSED DISPOSAL AND THE DEBT SETTLEMENT AGREEMENT AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting (the "AGM") of the Company to be held at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 June 2017 at 4:00 p.m. is set out on pages 92 to 97 of this circular.

A proxy form for use at the AGM is also enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

Hong Kong, 5 May 2017

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

"AGM"	the annual general meeting of the Company to be convened and held at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 June 2017 at 4:00 p.m., or any adjournment thereof and the notice of which is set out on pages 92 to 97 of this circular
"Agreement" or "Equity Transfer Agreement"	the equity transfer agreement dated 31 March 2017 made between Jinzhou Yangguang and Liaoning Oxiranchem in relation to the Proposed Acquisition and the Proposed Disposal
"Articles of Association"	the articles of association of the Company (as amended from time to time)
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"close associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Company"	Solargiga Energy Holdings Limited (陽光能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Agreement and the Debt Settlement Agreement
"connected person(s)"	has the same meaning as ascribed to it under the Listing Rules
"Consideration"	the Disposal Consideration and the Purchase Consideration, as the case may be
"core connected person(s)"	has the same meaning as ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission

"Debt Settlement Agreement"	the debt settlement agreement dated 31 March 2017 made between Jinzhou Yangguang and Liaoning Oxiranchem for purpose of settlement of certain indebtedness and liabilities in relation to Jinzhou Aoke and Golmud Solargiga
"Director(s)"	the director(s) of the Company
"Disposal Consideration"	the consideration for the Proposed Disposal
"Golmud Solargiga"	Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), a limited liability company incorporated under the laws of the PRC which is wholly owned by Jinzhou Yangguang prior to completion of the Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Valuation Report"	the valuation report on Golmud Solargiga prepared by the HK Valuer dated 2 May 2017, the text of which is set out in Appendix IV to this circular
"HK Valuer"	LCH (Asia-Pacific) Surveyors Limited, a qualified property valuer and an Independent Third Party
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards
"Independent Third Party(ies)"	a person or company who or which is, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with the Company and its connected persons
"Issue Mandate"	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to allot, issue and deal with new Shares and securities convertible into Shares not exceeding 20% of the number of the issued Shares as at the date of passing of the ordinary resolution in relation thereof

"Jinzhou Aoke"	Jinzhou Aoke New Energy Co., Ltd.* (錦州奧克陽光新能源有限公司), a limited liability company incorporated under the laws of the PRC, which is owned as to 37% by Jinzhou Yangguang and 63% by Liaoning Oxiranchem prior to completion of the Agreement
"Jinzhou Yangguang"	Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a limited liability company incorporated under the laws of the PRC which is wholly owned by the Company as at the date of this circular
"Latest Practicable Date"	26 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Liaoning Oxiranchem"	Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司), a limited liability company incorporated under the laws of the PRC, holding approximately 63% equity interest in Jinzhou Aoke
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Major Transaction"	the Proposed Acquisition, the Proposed Disposal and the transactions contemplated under the Debt Settlement Agreement taken as a whole
"Parties"	Jinzhou Yangguang and Liaoning Oxiranchem
"PRC" or "China"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Valuation Report"	the valuation report on Golmud Solargiga prepared by the PRC Valuer dated 10 March 2017, the text of which is set out in Appendix V to this circular
"PRC Valuer"	Zhong Rui Assets Appraisal Co., Ltd. (中瑞國際資產評估(北京)有限公司)
"Proposed Acquisition"	the proposed acquisition of 63% equity interest in Jinzhou Aoke in accordance with the terms of the Agreement

"Proposed Disposal"	the proposed disposal of 100% equity interest in Golmud Solargiga in accordance with the terms of the Agreement
"Purchase Consideration"	the consideration for the Proposed Acquisition
"Repurchase Mandate"	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to repurchase the fully paid-up Shares up to 10% of the number of the issued Shares as at the date of passing of the ordinary resolution in relation thereof
"RMB"	Renminbi, the lawful currency of the PRC
"SAIC"	the State Administration for Industry and Commerce of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	Jinzhou Aoke and Golmud Solargiga
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"%"	per cent

* *For identification only*

Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

Executive Directors:
Mr. TAN Wenhua *(Chairman)*
Mr. TAN Xin
Mr. WANG Chunwei

Non-executive Director:
Mr. HSU You Yuan

Independent Non-executive Directors:
Dr. WONG Wing Kuen, Albert
Ms. FU Shuangye
Mr. ZHANG Chun

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Room 1402
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

5 May 2017

To the Shareholders,

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES, RE-ELECTION OF DIRECTORS, MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION, THE PROPOSED DISPOSAL AND THE DEBT SETTLEMENT AGREEMENT AND NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide the Shareholders with information regarding, among other things, (1) the grant of the Issue Mandate; (2) the grant of the Repurchase Mandate; (3) the extension of the Issue Mandate by the addition of the number of Shares repurchased pursuant to the Repurchase Mandate; (4) the re-election of Directors; (5) the renewal of Ernst & Young as the Company's auditors for the financial year of 2017; (6) the Proposed Acquisition, the Proposed Disposal and the transactions contemplated under the Debt Settlement Agreement; and to give the Shareholders (7) the financial information on the Group; and (8) the notice of the AGM.

REPURCHASE MANDATE

At the last annual general meeting of the Company held on 29 June 2016, a general mandate was granted to the Directors to exercise the power of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the AGM. An ordinary resolution will be proposed at the AGM to grant the Repurchase Mandate to the Directors to repurchase Shares not exceeding 10% of the number of the issued Shares as at the date of passing the resolution approving the Repurchase Mandate at the AGM. An explanatory statement as required under the Listing Rules to provide further information of the Repurchase Mandate is set out in Appendix I to this circular.

ISSUE MANDATE AND EXTENSION OF THE ISSUE MANDATE

At the AGM, an ordinary resolution will be proposed that the Directors be given the Issue Mandate in order to ensure flexibility to the Directors to issue new Shares. As at the Latest Practicable Date, a total of 3,211,780,566 Shares were in issue. Subject to the passing of the proposed ordinary resolution approving the Issue Mandate and on the basis that there is no further change to the issued share capital of the Company from the Latest Practicable Date and up to the date of the AGM, the exercise of the Issue Mandate in full would result in issuing up to a maximum of 642,356,113 Shares, representing 20% of the total number of Shares in issue as at the date of passing of the resolution in relation to the Issue Mandate at the AGM (assuming no Share is issued between the Latest Practicable Date and the date of the AGM). In addition, an ordinary resolution will also be proposed to extend the Issue Mandate by adding to it the number of such Shares repurchased under the Repurchase Mandate.

RE-ELECTION OF DIRECTORS

In accordance with Article 87 of the Articles of Association, Mr. TAN Wenhua and Mr. TAN Xin, being executive Directors and Dr. WONG Wing Kuen, Albert being an independent non-executive Director, will retire from office as Directors at the AGM. Mr. TAN Wenhua, Mr. TAN Xin and Dr. WONG Wing Kuen, Albert being eligible, will offer themselves for re-election at the AGM. The biographical details of these Directors are set out in Appendix II to this circular.

MAJOR TRANSACTION

Reference is made to the announcements of the Company dated 31 March 2017 and 7 April 2017.

On 31 March 2017 (after trading hours), Jinzhou Yangguang (a wholly-owned subsidiary of the Company) and Liaoning Oxiranchem entered into the Agreement, pursuant to which (i) Liaoning Oxiranchem has conditionally agreed to sell and Jinzhou Yangguang has conditionally agreed to purchase 63% equity interest in Jinzhou Aoke, for a consideration of RMB53,000,000; and (ii) Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga for a consideration of RMB155,400,000. Details of the Agreement are set out below.

THE EQUITY TRANSFER AGREEMENT

The major terms of the Agreement are set out below:

Date: 31 March 2017

Parties: (i) Jinzhou Yangguang

(ii) Liaoning Oxiranchem

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this circular, save and except that Liaoning Oxiranchem holds 63% equity interest in Jinzhou Aoke in which Jinzhou Yangguang (a wholly-owned subsidiary of the Company) is interested as to 37%, Liaoning Oxiranchem and its ultimate beneficial owner are Independent Third Parties.

Proposed Acquisition

Pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to acquire, and Liaoning Oxiranchem has conditionally agreed to sell 63% equity interest in Jinzhou Aoke for a consideration of RMB53,000,000 i.e. the Purchase Consideration.

The Purchase Consideration was arrived at after arm's length negotiations between the Parties with reference to the fair value of Jinzhou Aoke of approximately RMB104,696,000 as at 31 December 2016, as appraised by an independent valuer appointed by the Parties, by adopting the asset-based approach. The appraised value of Jinzhou Aoke represents a premium of approximately 4.6% over the net asset value of Jinzhou Aoke as at 31 December 2016. The Purchase Consideration represents approximately 19.6% discount to 63% of the appraised value of Jinzhou Aoke.

Subject to the fulfilment and satisfaction of the conditions precedent as set out in the paragraph headed "Conditions Precedent" of this circular, completion of the Proposed Acquisition shall take place upon completion of the equity transfer registration procedures with SAIC.

Upon completion of the Proposed Acquisition, Jinzhou Aoke will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Proposed Disposal

Pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga for a total consideration of RMB155,400,000 i.e. the Disposal Consideration.

The Disposal Consideration was arrived at after arm's length negotiations between the Parties with reference to the market value of Golmud Solargiga of approximately RMB155,973,000 as at 31 December 2016, as appraised by the PRC Valuer appointed by the Parties, by adopting the income approach. The appraised value of Golmud Solargiga represents a premium of approximately 29.3% over the net asset value of Golmud Solargiga as at 31 December 2016. The Disposal Consideration represents approximately 0.4% discount to the appraised value of Golmud Solargiga as appraised by the PRC Valuer.

Since the Disposal Consideration was determined with reference to the market value of Golmud Solargiga as appraised by the PRC Valuer, the Directors consider that disclosure of the full text of the PRC Valuation Report is useful for the Shareholders to make informed voting decision in respect of the Proposed Disposal. The HK Valuation Report, which was prepared by the HK Valuer adopting international valuation standards, is included in the Circular for the Shareholders' information.

As such, based on the HK Valuation Report, which was prepared by the HK Valuer adopting international valuation standards, the Disposal Consideration represents a premium of approximately 0.3% over the appraised value of Golmud Solargiga as appraised by the HK Valuer.

Subject to the fulfilment and satisfaction of the conditions precedent as set out in the paragraph headed "Conditions Precedent" of this circular, completion of the Proposed Disposal shall take place upon completion of the equity transfer registration procedures with SAIC.

Upon completion of the Proposed Disposal, the entire 100% equity interest in Golmud Solargiga will be disposed of by the Group. Golmud Solargiga will cease to be a subsidiary of the Group following completion of the Proposed Disposal.

Settlement of Consideration

On Completion:

(i) the Purchase Consideration payable to Liaoning Oxiranchem shall be set off against part of the Disposal Consideration in an amount of RMB53,000,000 payable to Jinzhou Yangguang; and

(ii) the balance of the Disposal Consideration in an amount of RMB102,400,000 shall be settled in accordance with the terms of the Debt Settlement Agreement as detailed in the paragraph headed "Debt Settlement Agreement" of this circular below.

Conditions Precedent

The Agreement relating to the Proposed Acquisition and Proposed Disposal shall be conditional upon fulfilment of the following Conditions Precedent:

(i) Jinzhou Yangguang having complied with the requirements under its articles of association, the Listing Rules and other applicable requirements in respect of the Agreement and the transactions contemplated thereunder;

(ii) Liaoning Oxiranchem having complied with the requirements under its articles of association, the rules and regulations of the CSRC and the Shenzhen Stock Exchange; and having obtained all necessary approvals for the Agreement (and the transactions contemplated thereunder); and

(iii) the approval by the Shareholders of the Company in respect of the Agreement and the Debt Settlement Agreement (and the transactions contemplated thereunder) having been obtained in accordance with the Listing Rules and the requirements of the Stock Exchange.

Financial effects of the Proposed Disposal on the Group

The Group expects to record an unaudited gain of approximately RMB34,781,000 from the Proposed Disposal. The estimated gain on the Proposed Disposal is calculated with reference to the Disposal Consideration and the net book value of Golmud Solargiga.

Before Completion, the assets and liabilities of Golmud Solargiga as at 31 December 2016 included in that of the Group mainly represented property, plant and equipment of RMB216,538,000, trade and other receivables of RMB99,780,000, cash and cash equivalents of RMB904,000, trade and other payables of RMB17,602,000 and bank loan of RMB179,000,000. Following Completion, the above assets and liabilities of the Group will be reduced by their respective carrying amounts as at the date of Completion.

Proceeds from the Proposed Disposal

As disclosed in the paragraphs headed "Settlement of Consideration" and "Debt Settlement Agreement" of this circular, the Purchase Consideration will be set off against part of the Disposal Consideration. The remaining amount of the Disposal Consideration will be used to set off against the amount due to Liaoning Oxiranchem in accordance with the terms of the Debt Settlement Agreement.

DEBT SETTLEMENT AGREEMENT

On 31 March 2017, to facilitate completion of the Proposed Acquisition and the Proposed Disposal, Jinzhou Yangguang and Liaoning Oxiranchem entered into the Debt Settlement Agreement for purpose of settlement of certain indebtedness and other liabilities in relation to Jinzhou Aoke and Golmud Solargiga. The major terms of the Debt Settlement Agreement are set out below:

Date: 31 March 2017

Parties: (i) Jinzhou Yangguang

(ii) Liaoning Oxiranchem

Major terms:

Each of Jinzhou Yangguang and Liaoning Oxiranchem agrees that, among other things:

1. as at 31 December 2016, Jinzhou Aoke was indebted to Liaoning Oxiranchem for an amount of approximately RMB33,800,000. Jinzhou Aoke novated the repayment obligation of such indebtedness to Jinzhou Yangguang. After such novation, Jinzhou Yangguang shall assume all obligations as debtor in respect of such indebtedness due to Liaoning Oxiranchem in the amount of approximately RMB33,800,000;

2. as at 17 March 2017, Jinzhou Yangguang and a subsidiary of the Company were indebted to Golmud Solargiga for an aggregate amount of approximately RMB74,800,000. The said subsidiary novated its repayment obligation of such indebtedness to Jinzhou Yangguang. Meanwhile, Golmud Solargiga agreed to assign its rights and benefits in the said amount of approximately RMB74,800,000 to Liaoning Oxiranchem. After such novation and assignment, Jinzhou Yangguang shall assume all obligations as debtor in respect of such indebtedness due to Liaoning Oxiranchem in the amount of approximately RMB74,800,000;

3. certain banking facilities of Jinzhou Aoke were secured by corporate guarantee provided by Liaoning Oxiranchem. Upon completion of the Proposed Acquisition, such guarantee shall be released and Jinzhou Yangguang shall assume the obligations as guarantor in respect of such indebtedness;

4. certain banking facilities of Golmud Solargiga were secured by, among other things, certain guarantee and collateral provided by Jinzhou Yangguang, a subsidiary of the Company and a Director. Upon completion of the Proposed Disposal, such guarantee and collateral shall be released and Liaoning Oxiranchem shall assume the obligations as guarantor in respect of such indebtedness; and

5. as stated in paragraphs 1 and 2 above, Jinzhou Yangguang agreed to assume all obligations as debtor in respect of approximately RMB108,600,000 due to Liaoning Oxiranchem as at 31 March 2017. Coupled with the Purchase Consideration, the total amount due to Liaoning Oxiranchem shall be approximately RMB161,600,000 which will be set off against the Disposal Consideration (i.e. RMB155,400,000) payable to Jinzhou Yangguang. After such set-off, Jinzhou Yangguang shall pay the balance of the amount due in the sum of approximately RMB6,200,000 to Liaoning Oxiranchem in cash within 15 days after completion of the Proposed Disposal.

REASONS FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION AND THE PROPOSED DISPOSAL

Reasons for the Proposed Acquisition

The Group is one of the leading manufacturers of monocrystalline silicon solar products in the PRC. Through advantages in its vertical integration, the Group focuses on manufacturing and sales of mono-crystalline silicon solar ingots and wafers; processing of silicon solar ingots and wafers; manufacturing and sales of photovoltaic cells and modules; and design and operating of photovoltaic power plants.

Jinzhou Aoke is principally engaged in the production of multi-crystalline wafers. However, with its relatively small manufacturing capacity, it was unable to achieve economy of scale on its own, which resulted in the continued losses. Through the Group's acquisition, the Group will be able to utilise Jinzhou Aoke's existing plant and production facilities more effectively and flexibly, in turn create effective conditions for future improved profitability. As such, the Group has planned to transform and upgrade Jinzhou Aoke's multi-crystalline wafer manufacturing capacity and integrate as part of the Group's mono-crystalline wafer production capacity. Further, the warehouses and related facilities of Jinzhou Aoke will be utilised for future expansion of the Group's photovoltaic module capacity. This will amplify the benefits from the Group's vertical integration strategy, and allow the Group to meet the needs of its downstream customers for photovoltaic modules.

Reasons for the Proposed Disposal

Golmud Solargiga was a wholly-owned subsidiary of the Group. It held a 20MW photovoltaic solar power plant located in Qinghai Province, China and it mainly engaged in the operation and maintenance of this power plant. After completion of the Proposed Disposal, the Group intends to continue to engage in the business of construction, operation and maintenance services for solar power plants while the Group will no longer hold the physical fixed assets and incur the relevant long-term bank loans, which bear high interest rates, for the power plants as a majority shareholder. This will lower the Group's overall finance costs, improve its finance cost to sales ratio, and, through the demand created by its downstream business of construction, operation and maintenance of power plant business, allow the Group to focus on sales of its mono-crystalline products.

After the completion of the Proposed Disposal, the Group's respective fixed assets and bank loans will be offset. Financial structure of the Group will be improved as a result. Further, with reference to the Disposal Consideration and the net book value of Golmud Solargiga, upon completion of the Proposal Disposal, the Group expects to recognise an unaudited gain on disposal amounted to RMB34,781,000.

Accordingly, the Directors (including the independent non-executive Directors) consider that both the Proposed Acquisition and the Proposed Disposal are in the best interest of the Company and the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES INVOLVED

Information on the Group

The Group is a leading supplier of upstream and downstream vertically integrated solar energy services. Its products are sold to customers in the upstream and mid-stream industries, as well as to end users directly. The Group was principally engaged in manufacturing and sales of monocrystalline silicon solar ingots and wafers; processing of silicon solar ingots and wafers; manufacturing and sales of photovoltaic cells and modules; and design and operating of photovoltaic power plants.

Information on Jinzhou Yangguang

Jinzhou Yangguang, an indirect wholly-owned subsidiary of the Company, was incorporated in the PRC and is principally engaged in manufacturing of monocrystalline silicon solar ingots and wafers.

Information on Liaoning Oxiranchem

Liaoning Oxiranchem was incorporated under the laws of the PRC and is principally engaged in the business of manufacturing mineral oil for silicon wafer slicing process, polyether monomers and polyethylene glycol, and its shares are listed on the Chinext of the Shenzhen Stock Exchange (stock code: 300082.SZ).

Information on Jinzhou Aoke

Jinzhou Aoke is a joint venture company incorporated under the laws of the PRC and currently owned as to 37% by Jinzhou Yangguang and 63% by Liaoning Oxiranchem. Jinzhou Aoke is principally engaged in the manufacturing and processing of polycrystalline silicon solar ingots and wafers.

Set out below is certain unaudited financial information of Jinzhou Aoke (prepared in accordance with IFRS) for the financial year ended 31 December 2015 and 31 December 2016.

	Year ended 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Revenue	41,720	40,817
Loss before taxation	50,193	35,374
Loss after taxation	50,193	35,374
Total asset value	301,020	375,145
Net asset value	100,112	150,305

Upon Completion, the Jinzhou Aoke will become an indirect wholly-owned subsidiary of the Company.

Information on Golmud Solargiga

Golmud Solargiga, an indirect wholly-owned subsidiary of the Company, was incorporated under the laws of the PRC and is principally engaged in operation of photovoltaic power plants.

Set out below is certain unaudited financial information of Golmud Solargiga (prepared in accordance with IFRS) for the financial year ended 31 December 2015 and 31 December 2016.

	Year ended 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Revenue	29,354	38,305
Profit before taxation	2,209	9,029
Profit after taxation	2,015	8,947
Total asset value	317,221	330,384
Net asset value	120,619	118,604

LISTING RULES IMPLICATIONS

The applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%. The applicable percentage ratios in respect of the Proposed Acquisition contemplated under the Agreement is more than 5% but less than 25%.

Pursuant to Rule 14.24 of the Listing Rules, as the Directors take the view that the Proposed Acquisition, the Proposed Disposal and the arrangement under the Debt Settlement Agreement are inter-related with one another, they will be regarded as one transaction involving both an acquisition and a disposal. The Company will classify the transaction by reference to the larger of the percentage ratios of the Proposed Acquisition or the Proposed Disposal and comply with the applicable requirements of the Listing Rules based on such classification.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%, the Proposed Disposal, the Proposed Acquisition and the transaction under the Debt Settlement Agreement taken as a whole constitute a major transactions for the Company and is subject to notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules, except that the requirements of the contents of this circular will only apply to the Proposed Disposal.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, neither Shareholders nor any of their respective associates have any material interest in the Proposed Disposal, the Proposed Acquisition and the transaction under the Debt Settlement Agreement. As such, no Shareholder would be required to abstain from voting in favour of the resolution approving the Proposed Disposal, the Proposed Acquisition and the transactions under the Debt Settlement Agreement at the AGM.

THE AGM

A notice convening the AGM to be held at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 June 2017 at 4:00 p.m. is set out on pages 92 to 97 of this circular.

A proxy form for use at the AGM is enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes will be taken by way of poll.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (1) the grant of the Issue Mandate; (2) the grant of the Repurchase Mandate; (3) the extension of the Issue Mandate by the addition of the number of Shares repurchased pursuant to the Repurchase Mandate; (4) the re-election of Directors; (5) the renewal of Ernst & Young as the Company's auditors for the financial year of 2017; (6) the Proposed Acquisition, the Proposed Disposal and the transactions contemplated under the Debt Settlement Agreement taken as a whole are in the interests of the Group and the Shareholders as a whole and accordingly recommend all the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
For and on behalf of
Solargiga Energy Holdings Limited
Tan Wenhua
Chairman

This Appendix serves as an explanatory statement as required under the Listing Rules, to provide further information to you for consideration of the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had 3,211,780,566 Shares in issue or an issued share capital of HK$321,178,056.60. Subject to the passing of the proposed ordinary resolution approving the Repurchase Mandate and on the basis that there is no further change to the issued share capital of the Company from the Latest Practicable Date to the date of the AGM, the exercise of the Repurchase Mandate in full would result in up to a maximum of 321,178,056 Shares, representing 10% of the total number of Shares in issue as at the date of passing of the relevant resolution at the AGM (assuming no Share is issued between the Latest Practicable Date and the date of the AGM).

REASONS FOR SHARES REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

FUNDING OF SHARE REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the financial position of the Company as at 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, the Directors consider that if the Repurchase Mandate was to be exercised in full, it might have a material adverse impact on the working capital position and gearing level of the Group. The Directors will not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the Group's working capital or the gearing position of the Group which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous 12 months preceding the Latest Practicable Date were as follows:

	Price per Share	
	Highest	**Lowest**
	HK$	*HK$*
2016		
Jan	0.188	0.140
Feb	0.188	0.152
Mar	0.208	0.165
Apr	0.181	0.170
May	0.174	0.150
June	0.170	0.141
July	0.169	0.140
Aug	0.165	0.147
Sept	0.186	0.154
Oct	0.184	0.160
Nov	0.177	0.156
Dec	0.190	0.163
2017		
Jan	0.175	0.165
Feb	0.187	0.164
Mar	0.175	0.147
Apr	0.163	0.139

UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands, and in accordance with the memorandum of association of the Company and the Articles of Association.

To the best of the Directors' knowledge having made all reasonable enquiries, none of the Directors nor any of their respective close associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No core connected persons of the Company have notified the Company that they have a present intention to sell any Shares to the Company nor have undertaken not to sell any of the Shares held by them to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND THE PUBLIC FLOAT REQUIREMENT

If, as a result of any Shares repurchase made by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of the Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholders' interests, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

In the event the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, none of the Shareholder or group of Shareholders acting in concert in the Company would increase their percentage shareholding to 30% or above of the issued share capital of the Company (assuming no Share is issued between the Latest Practicable Date and the date when the Repurchase Mandate is exercised in full and taking no account of any Shares that may be issued upon exercise of share options that were granted or may be granted under the share option scheme of the Company adopted on 27 February 2008 (the "Share Option Scheme") or any other scheme as may be adopted by the Company). The Directors are not aware of any consequences of such repurchases of Shares that would result in any Shareholder, or group of Shareholders acting in concert, becoming obliged to make a mandatory offer under rule 26 of the Takeovers Code if the Repurchase Mandate were exercised in full. Moreover, the Directors do not intend to exercise the power to repurchase Shares to an extent which would render any Shareholder or group of Shareholders obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25% of the total number of Shares in issue. In any event, the Directors will not make share repurchase on the Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

SHARES REPURCHASES MADE BY THE COMPANY

The Company did not repurchase Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following Directors are proposed for re-election in accordance with the Company's Articles of Association. All the Directors are appointed for a specific term but are subject to retirement by rotation at least every three years pursuant to the Articles of Association.

Mr. TAN Wenhua (譚文華), aged 60, an executive Director and the Chairman of the Board. He was one of the founders of the Jinzhou Plants. He was conferred various honours including the Model for the Labour of the Building Materials Systems of the Nation, the medal of "May 1st" Labour of Liaoning Province, the Builders Merit award of Liaoning Province, the Outstanding Member of the China Communist Party, the Outstanding Entrepreneur of the Building Materials Industry of the Nation, the Venture Entrepreneur of the Liaoning Province and First Prize Entrepreneur of Jinzhou. He is also a guest professor of Liaoning University of Technology and Vice President of Bohai University. Prior to the founding of Jinzhou Plants, he was the Chairman of 錦州新華石英玻璃(集團)有限責任公司 (Jinzhou Xinhua Quartz Glass (Group) Co., Ltd.) and the Director of 錦州一五五廠 (Jinzhou 155 Factory), a state-owned factory engaging in quartz crucibles manufacturing. He has been granted a special subsidy by the State Council in 2004 for his contribution in engineering technology. He is the father of Mr. Tan Xin, the executive Director of the Company and the Chief Executive Officer of the Company.

Mr. TAN Xin (譚鑫), aged 33, is an executive Director and the Chief Executive Officer of the Company. He joined the Group in July 2005. He holds a bachelor's degree of Marketing from the Macau University of Science and Technology, and a master's degree of Business Administration from University of East Anglia, the U.K. Mr. Tan is also a Standing Committee member of the Liaoning Province Youth Federation (遼寧省青年聯合會常務委員會成員), Member of the 12th and 13th Jonghou Municipal Committee of the Chinese People's Political Consultative Conference (錦州市第十二及第十三屆政協委員) and Vice President of the 15th Jonghou Association of Industry and Commerce (錦州市第十五屆工商聯副主席). Mr. Tan was awarded Year 2011 Meritorious Entrepreneur (2011年度功勛企業家) by Jinzhou Municipal Government. Before taking the role of the Chief Executive Officer, Mr. Tan also worked in other subsidiaries within the Group and accumulated plenty of experiences from his prior positions. He is the son of Mr. TAN Wenhua who is an executive Director and the Chairman of the Company.

Dr. WONG Wing Kuen, Albert (王永權), aged 65, was appointed an Independent non-executive Director on 12 January 2008. Dr. Wong is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Chartered Institute for Securities and Investments, UK, Association of International Accountants, Society of Registered Financial Planners, Hong Kong, The Institute of Certified Public Accountants in Ireland, UK, as well as a member of Hong Kong Securities Institute, The Chartered Institute of Arbitrators, Macau Society of Certified Practising Accountants and an associate member of The Chartered Institute of Bankers in Scotland, UK. Dr. WONG had been a director and Chief Executive Officer of Minghua Group International Holdings Limited, a listed public company in the United States, until 30th September 2004. Dr. WONG had also been an independent non-executive director of Rare Earths Global Limited, a company listed on the London Stock Exchange – Alternative Investment Market (the "AIM"), since March 2012, and retired as an independent non-executive director on 2 May 2014 because of the cancellation of admission on AIM of the Ordinary Shares of Rare Earths Global Limited. According to the filings made available to public through the EDGAR database in U.S., for the quarterly period ended 30 September 2005, Minghua Group International Holdings Limited was "a small business issuer" and "a development stage company". Dr. WONG has been the Chief Consultant of KND & Co. CPA Limited, an independent non-executive director of APAC Resources Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, since July 2004; an independent non-executive director of China Merchants Land Limited, a company listed on the main board of the Hong Kong Stock Exchange, June 2012; and an independent non-executive director of China VAST Industrial Urban Development Company Limited, a company listed on the main board of the Hong Kong Stock Exchange in August 2014.

The audited consolidated financial statements of the Group for the three years ended 31 December 2014, 2015 and 2016 are disclosed in the following documents:

- pages 65 to 160 in the annual report 2014 of the Company for the year ended 31 December 2014;
- pages 60 to 168 in the annual report 2015 of the Company for the year ended 31 December 2015; and
- pages 63 to 168 in the annual report 2016 of the Company for the year ended 31 December 2016.

Each of the unaudited financial information on the Group and the audited consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular, and has been published on the websites of the Stock Exchange at *www.hkexnews.hk* and the Company at *www.solargiga.com*.

STATEMENT OF INDEBTEDNESS

As at 31 March 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group's total indebtedness is set out below:

	RMB'000
Secured bank loans	1,071,494
Guaranteed bank loans	897,664
Guaranteed loans from third parties	121,144
Financial lease payables	14,840
Total:	**2,105,142**

The secured bank loans were secured by the Group's pledged deposits, property, plant and equipment.

Contingent liabilities

As at 31 March 2017, the Group has undertaken to guarantee a bank loan to an associate to the extent of RMB31,450,000. As the loan is also secured by the fixed assets of the said associate, the Directors consider the fair value of the above financial guarantee to be insignificant.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables, and receipt in advance as at 31 March 2017, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured, or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2017.

WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Group's internal resources, available banking facilities and the financial effects of the Disposal and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for the period of twelve months from the date of this circular.

MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2016, the demand for solar modules has grown rapidly. With the continued recovery in the global solar market, expected market demand will continue to rally and the Group expects that earnings will remain stable. Despite the drop in average selling price ("ASP") of photovoltaic products, growth in the Group's external shipment remained strong and more than offset the drop in ASP. The increase in external shipment was mainly made possible with the progressive commissioning of the additional module manufacturing capacity during the year in order to satisfy more orders. As mentioned above, as the production capacity commissions progressively, the Group expects the advantage of economies of scale to be demonstrated progressively in 2017 onwards. Photovoltaic module capacity becomes compatible with that of upstream capacity. This will strengthen the upstream and downstream supply and demand stability.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through establishing strategic partnerships, the Group and its partners will be able to leverage on their respective strengths and experiences in laying a solid foundation for broader co-operation in the future.

Under its vertically-integrated strategy, management has put in place measures to exploit comparative strengths of the Group to further develop the downstream solar market through direct contacts with grid companies, electricity users or solar plant installation contractors and the management is of the view that the Group is well-positioned to capture the growth in the market.

In addition to the existing long-term local key customers, through expanding its production capacity and rigorous efforts in developing new customers in the PRC, the Group has strengthened its ties with large-scale state-owned enterprises, major power companies and other large listed companies. Without compromising its overseas shipment volume and sales, the Group has successfully improved its proportion of local to overseas sales to a sustainable ratio of around 50:50.

The continuation of its great cooperation with clients along the whole photovoltaic industry chain has consolidated the Group's own competitive edges of upstream and midstream business, and actively explored the downstream business and the respective development to go with its strategy on vertical integration. The operation of various business remained vigorous during the year and is expected to continue its improvement and record growth in the short future.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL ASSETS VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 and published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. This report is prepared and signed off in English format, translation of this report in language other than English shall only be used as reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. Translation of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to us at the date of this report. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.

17th Floor
Champion Building
287-291 Des Voeux Road Central
Hong Kong

2 May 2017

The Board of Directors
Solargiga Energy Holdings Limited
Room 1402, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Solargiga Energy Holdings Limited (hereinafter referred to as the "Instructing Party"), we have investigated and conducted an agreed-upon procedures valuation of the possible market value of the entire equity interest of Golmud Solargiga Energy Electric Power Company Limited* (格爾木陽光能源電力有限公司) (hereinafter referred to as the "Target Company") as at 31 December 2016 (hereinafter referred to as the "Valuation Date") for the Instructing Party's internal management reference purpose. Our findings and conclusion in this agreed-upon procedures valuation are documented in the following part of this report.

INTRODUCTION

In this *appraisal* (the word *appraisal* has the same meaning of *valuation* in this report), we were instructed to analyse the subject business enterprise, i.e. the Target Company, and to express our opinion of the possible business enterprise value of the Target Company, as at the Valuation Date, on a going concern basis, and based on documents and information provided by the Instructing Party or the appointed personnel of Solargiga Energy Holdings Limited (hereinafter referred to as the "Company"). For the purpose of this valuation, we define the term business enterprise value in this engagement as the market value of the entire equity interest of the Target Company (hereinafter referred to as the "Appraised Asset").

The term "Market Value" is defined by the International Valuation Standards 2013 (hereinafter referred to as the "IVS") and published by the International Valuation Standards Council as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We understand that the Instructing Party will refer our work product (in any form of presentation) as part of its business due diligence, and we have not been engaged to make specific purchase or sales recommendations. We further understand that the Instructing Party will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its decision with regard to the Appraised Asset. It is agreed that our work is designed solely to provide information that will give a reference to the Instructing Party as part of its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

THE TARGET COMPANY'S PROFILE

According to a business license No. 916328015799058441 dated 1 November 2016, the Target Company was incorporated in the People's Republic of China (hereinafter referred to as the "PRC" or "China") on 21 September 2011 and has an operation period of 20 years. The registered address of the Target Company is located at 7 kilometres from the Golmud City South Exit. The Target Company has a registered capital of RMB100,000,000 and its business activity is restricted to construct and operate of grid-connected photovoltaic power plant (The above items shall be operated with the relevant permit if administrative permit is required); and sale of solar cell modules and equipment related to photovoltaic power plants (except specially specified by the country). The Target Company also holds an electric power business license with permit number 1031212-00136 dated 24 August 2012, which will be valid from 24 August 2012 to 23 August 2032.

As advised, the Target Company is a wholly-owned subsidiary of Jinzhou Yangguang Energy Co., Ltd. (錦州陽光能源有限公司). The project of the Target Company, Golmud Phase One 20MW grid-connected photovoltaic power generation project (格爾木一期20兆瓦併網光伏發電項目), was approved by Qinghai Development and Reform Committee (青海市發展和改革委員會) with reference to Qinghai Fagai Nengyuan [2001] No. 939 (青發改能源 [2011]939號). According to the information available to us, the investment required for the project was approximately RMB320,000,000 and the electric power generating capacity was 20 megawatts.

According to the land use rights certificate known as 格國用(2013)第0564號, the Target Company possesses a state-owned allocated land use rights with an area of 440,386 square metres (sq. m.) located at The East side of National Highway 109, 7 kilometres from the Golmud City South Exit (格爾木市南出口109國道7公里處東側).

VALUATION PROCEDURES ADOPTED

In performing the appraisal, we have adopted the following procedures which were agreed with the Instructing Party before the engagement. They were:

- to read the supplied materials and based on the content of the materials such as product information, market condition, financial information and projections, and the scale of the going concern of the Appraised Asset to arrive at our opinion. In the course of valuation, we have assumed the information that contained in the materials is correct and we have not verified or ascertained the correctness of the information contained in the materials;

- to prepare and submit a list(s) of required document and information regarding the operation of the Appraised Asset during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the Instructing Party or the appointed personnel of the Company;

- to hold discussions with relevant personnel and to review various accounting and financial documents in order to understand the scope of the Target Company's assets and operations;

- to obtain the latest available asset schedule on which to start the valuation;

- to gather relevant information regarding the type of business, its operation and the assets of the Target Company;

- to conduct appropriate study in order to obtain necessary industry and market information to support our opinion of value. The extent of research is at our discretion;

- to value the Appraised Asset by using the respective standards of value that is most appropriate; and

- to document our findings and conclusion in our valuation report.

THE BASIS OF VALUATION AND ASSUMPTIONS

The Appraised Asset is valued on the basis of "Market Value" in continued use or as a going concern. The continued use premise assumes that the Appraised Asset will be used for the purpose for which the Appraised Asset was conceived or is currently used. Implicit in this definition is the fact that a hypothetical willing and able buyer would not pay more to acquire the Appraised Asset than he could reasonably expect to earn in the future from an investment in the Appraised Asset.

Our valuation has been made on the assumptions that, as at the Valuation Date,

1. the legally interested party in the Appraised Asset has free and uninterrupted rights to assign the Appraised Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant approvals and any premiums/administrative costs payable have already been fully paid;

2. all the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed on which the valuation contained in our report is based;

3. the legally interested party in the Appraised Asset has adequate working capital to operate the business of the Target Company;

4. the Appraised Asset (a part of or the whole of) can be sold in the market in its existing state without the benefit of a deferred terms contract, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Appraised Asset;

5. the management of the Target Company has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as change of government policy and labour dispute) to the normal business of the Target Company; and

6. the Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the reported findings and conclusion herein.

FACTORS CONSIDERED IN THE VALUATION

For the purpose of the valuation, the valuation of the Appraised Asset required consideration of a number of pertinent factors affecting the Target Company's ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the Appraised Asset such as the remaining life and its characteristics;

- the nature and the going concern business of the Target Company;

- the quality of the Target Company's assets;

- the capability and determination of the management of the Target Company to renew all the necessary licences, permits and approvals from time to time to make the business of the Target Company be on-going;

- the capability and determination of the management of the Target Company to maintain its existing clientele and its favourable working relationship with its suppliers;

- the capability and determination of the management of the Target Company to continue the existing marketing strategy to maintain and attract customers or potential customers;

- the capability and determination of the management of the Target Company to continue develop and construct its business;

- the capability and determination of the management of the Target Company to maintain its existing qualification and management standards and to review/up-lift its standards to catch the market needs from time to time;

- the capability and determination of the management of the Target Company to trade up-to-date products to catch the market needs;

- the commitment of the management of the Target Company to protect the Appraised Asset against any disruption of the normal business of the Target Company;

- the commitment of the management of the Target Company to maintain a cost effective and stable supply chain of the products to distribute to the customers;

- the economic and industry data affecting the Target Company in the relevant locality;

- market-derived investment returns in similar nature of entities; and

- the risks facing the Target Company and the Appraised Asset.

FINANCIAL RATIO ANALYSIS OF THE TARGET COMPANY

Financial statements outline the financial activities of a business, an individual or any other entity. Financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and for readers. The three basic financial statements are (i.) balance sheet, which summarises what a firm owns and owes at a point in time; (ii.) income statement, which reports on how much a firm earned in a particular period; and (iii.) statement of cash flows, which reports on cash inflows and outflows to the firm in a particular period.

Financial ratios express relationships between financial statement items. Although they provide historical data, management can use ratios to identify internal strengths and weaknesses, and estimate future financial performance. There are four basic types of ratios to measure a company's performance, (i.) liquidity; (ii.) solvency; (iii.) profitability; and (iv.) efficiency.

Liquidity

The liquidity ratio is aimed to analyse a company's ability to pay off its short-terms obligations. Common liquidity ratios include current ratio, quick ratio. Generally, the higher the ratio is, the larger the margin of safety that a company possesses to cover short-term debts.

	2014	2015	2016
Current Ratio*	3.66	6.64	39.11
Quick Ratio*	3.66	6.64	39.11
Operating Cash Flow Ratio*	0.98	2.62	11.33

* current ratio is calculated as total current assets/total current liabilities
quick ratio is calculated as (total current assets minus inventories)/total current liabilities
operating cash flow ratio is calculated as cash flow from operations/total current liabilities

Solvency

Solvency ratios indicate financial stability as they measure a company's debt relative to its assets and equity. Common solvency ratios consist of debt-to-equity and debt-to-asset. In our calculation of solvency ratios, debt is calculated as the sum of short-term borrowings and long-term borrowings. However, other than the interest-bearing debt, a company may also have other obligations, such as payables and finance leases.

	2014	2015	2016
Debt-to-Equity Ratio	1.95	1.74	1.61
Debt-to-Asset Ratio	0.70	0.66	0.61

* debt-to-equity ratio is calculated as (short term borrowings plus long term borrowings)/total equity
debt-to-asset ratio is calculated as (short term borrowings plus long term borrowings)/total assets

Profitability

Profitability ratios indicate the management's ability to convert sales dollars into profits and cash flows. Common ratios comprise EBIT margin and net income margin.

	2014	2015	2016
EBIT Margin (%)	47.53	60.78	51.39
Net Margin (%)	-6.31	23.08	7.47

* EBIT margin is calculated as earnings before interest and tax/total sales revenue Net margin is calculated as net income/total sales revenue

Efficiency

Efficiency ratios are typically used to analyze how well a company uses its assets internally. Common ratios include asset turnover, receivables turnover and inventory turnover. The higher the ratio, the more efficient a firm is operating.

	2014	**2015**	**2016**
Asset Turnover	0.10	0.13	0.09
Receivable Turnover	4.70	6.07	7.38
Inventory Turnover	N/A	N/A	N/A

* asset turnover is calculated as total sales revenue/average total assets
receivable turnover is calculated as total sales revenue/average accounts receivables
inventory turnover is calculated as costs of goods sold/average inventories. As the Target Company did not own any inventory, inventory turnover ratio is unavailable.

ESTABLISHMENT OF TITLES

For the purpose of this valuation, the Instructing Party was requested and provided us the necessary documents to support that the legally interested party in the Appraised Asset has free and uninterrupted rights to assign the Appraised Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value as agreed with the Instructing Party did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Appraised Asset and the relevant exclusive right to distribute and sell its products from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles and the rights to the Appraised Asset.

We have been provided with various copies of title documents and licenses regarding the Appraised Asset. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We are not legal professionals, thus we are unable to ascertain the titles and to report any encumbrances that may be registered against the Appraised Asset. No responsibility or liability is assumed in relation to those opinions or copies of documents.

In our valuation, we have assumed that the legally interested party in the Appraised Asset has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership in the Appraised Asset. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

APPROACH TO VALUE

In the process of valuation, we have considered the three generally accepted business enterprise appraisal approaches to value, namely, the Market Approach, the Asset-based Approach and the Income Approach.

The Market Approach

The Market Approach is basically a comparison method to value a business enterprise by comparison to the prices at which other similar business nature companies or interests changed hands in arm's-length transactions. The underlying theory of this approach is one would not pay more than one would have to pay for an equally desirable alternative. Therefore, the valuer will seek valuation guidance for valuation indication from the prices of other similar companies or equity interests in companies that were sold recently. The right transactions used in analysing for valuation indication need to be sales on an arm's-length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell. Then, multiples (i.e. financial ratios) are derived based on those transactions to apply to the fundamental financial variables of the subject business enterprise and further arrive at an indicated value of the subject business enterprise. The most commonly used multiples are price-to-earnings ("P/E"), price-to-sales (as revenue) ("P/S"), enterprise value-to-sales (or revenue) ("EV/S"), price-to-book ("P/B") and enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortisation) multiple ("EV/EBITDA").

There are two methods of the Market Approach known as the Guideline Publicly Traded Company Method (by using similar company daily stock transaction prices) and the Guideline Merged and Acquired Company Method. Both methods need to rely on analysing available similar transacted comparables, and the big difference is on the structure of transactions – daily stock transaction prices in public market or mergers and acquisitions as occurred. In most cases, finding good market comparables is often difficult (particularly for those mergers and acquisitions) for there is no single marketplace where similar assets change hands between buyers and sellers, who are well informed and have no special motivations or compulsions to buy or to sell, are recorded. To the best of our knowledge, we are not aware that there were any of transactions of similar companies around the Valuation Date. Under such circumstances, we have not relied on the Guideline Merged and Acquired Company Method in our estimate of the value of the Appraised Asset due to insufficient supporting data (market-based transactional information in this instance).

We then moved to the Guideline Publicly Traded Company Method. The use of this method is considered by the market as final arbiter of value for the prices of guideline publicly traded companies are easily available and observed, disregard direct or proxy, from the public domains or mass media or the local stock exchange as of the relevant date. There will have sufficient data for each guideline company to analysis for the statutory requirement of filings of accounting books and records to the regulators. Because of that, it is a method widely used by financial analysts, fund managers and investors to value a company in a developed economy.

We noticed that there are several listed companies with business similar to the Target Company. They are:

Company (Stock code)	P/S	EV/EBITDA	P/E
United Photovoltaics Group Limited (686 HK)	3.24	17.01	8.81
Jiangsu Zongyi Co., Ltd. (600770 CH)	15.87	N/A	(58.73)
Sun Source India Ltd. (SUNS IN)	N/A	(20.08)	(10.53)
Thai Solar Energy PCL (TSE TB)	26.99	60.10	18.43
Ujaas Energy Ltd (UJEL IN)	3.38	15.51	44.87
Kong Sun Holdings Limited (295 HK)	8.13	34.34	83.25

Source: Bloomberg

We note that the comparable companies may be engaged in other different business segments from the Target Company. In addition, the deviation of the above financial ratios is high among the comparable companies. In particular, simple arithmetic average is highly sensitive to extreme values of the financial ratios, and thus may not be a reliable estimate of the value of the Appraised Asset. Considering also that the financial multiples we obtained were from comparable companies which have been operating in a more diversified and general scope of the energy generating business whilst the Target Company focused on solely solar power generation without engaging in the sale and manufacture of related products, there is a huge deviation in the profit margins achieved by the Target Company when compared to the comparable companies. Thus, we have reservation to use the Market Approach to arrive at our opinion of value.

The Asset-based Approach

The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collected the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operation, their sum equals to the value of the business enterprise.

From a valuation perspective, the valuer will restate the value of all types of assets of a business enterprise from book value i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, the valuer can identify the indicated value of the business enterprise, or, by applying the accounting principle "assets minus liabilities" to arrive at the value of the equity interests of the business enterprise. The former is known as Asset Accumulation Method and the latter known as Adjusted Net Asset Method though they are identically the same. There is another method known as

Excess Earning Method which is a collective valuation of all intangible assets as a group by capitalised returns over and above a reasonable rate of return on tangible assets and adding the capitalised value of intangibles plus the estimated value of tangible assets to become the value of a business enterprise. However, some practitioners prefer to classify this method as a hybrid method for it combines asset value with a capitalised earnings component.

The Instructing Party or the appointed personnel of the Company provided us with a copy of the management account as on 31 December 2016 of the Target Company. Based on the balance sheet of the Target Company, the assets of the Target Company comprised:

1. Monetary Assets

2. Tangible Assets

3. Liabilities

Monetary Assets comprised cash at bank, account receivables, prepayments, other current assets and amount due from related party, and this amounted to RMB100,683,086 in the book as at 31 December 2016.

Tangible Assets comprised various machinery and equipment, and this amounted to RMB216,538,232 in the book as at 31 December 2016.

Liabilities comprised account payables, tax payables, other payables and long-term debt, and this amounted to RMB196,574,319 in the book as at 31 December 2016.

A. Monetary Assets

Relevant categories under Monetary Assets comprised cash at bank, account receivables, prepayments, other current assets and amount due from related party. Based on our agreed procedures, we have adopted the book costs for the Monetary Assets in our valuation.

B. Tangible Assets – Real estate related

According to the management accounts of the Target Company as at 31 December 2016 provided to us, the Target Company did not own any land use rights. No market value has been assigned for the state-owned allocated land.

C. Tangible Assets – Non-real estate related

Non-real estate related fixed assets comprise the solar photovoltaic (PV) generating plant which consist of PV modules/panels, voltage inverters, lightning protection boxes, system transformers, control panels and switchgears, DC system, computer monitoring system, sub-station and step-up transformer, billing system and other related equipment.

Relevant categories under Tangible Assets comprised various machinery and equipment and the fair value is listed below. We have valued the non-real estate related fixed assets on the basis of its fair value in continued use. Based on the definition of the American Society of Appraisers, it is "an opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification".

It further assumes the continued operation of the business in the same location and that permitted use is granted in accordance with local land use classifications. It is not intended to represent the amount that might be realised from piecemeal disposition of the non-real estate related fixed assets in the open market or for other alternate use.

This basis of value is similar to the Market Value definition adopted in the International Valuation Standards (IVS), IVS 220-Plant and Equipment, issued by the International Valuation Standards Council (IVSC), with the scope of works assuming valuation in place as part of a business as a going concern and that earning will support the value.

In arriving at our opinion of value, we conducted an on-site physical inspection and held discussions with relevant personnel of the Company to understand the scope, type of installations involved, their actual condition, specifications, usage and maintenance history.

To value the non-real estate related fixed assets, we have taken into consideration the following:

- The extent, character and utility of the non-real estate related fixed assets;
- Current replacement cost or reproduction cost of the non-real estate related fixed assets;
- New and used prices;
- Generally accepted useful or economic lives; and
- Economic condition of the industry.

In using this cost approach, we estimated the gross current replacement cost of the non-real estate related fixed assets by taking into consideration their current equipment prices, transportation cost, installation cost, design and engineering costs and other indirect costs. This was then depreciated using useful life data from the American Society of Appraisers and other reliable sources and adjusted to account for our observations of the actual physical condition based on our on-site inspection and obsolescence. The depreciated replacement cost was then taken as the fair value in continued use of the non-real estate related fixed assets.

D. Liabilities

We have relied on the copy of the management account of the Target Company, as at 31 December 2016 and based on our agreed procedures, we have adopted their book costs in our valuation.

Based on financial information provided, and the valuation procedure stated above, the equity value of the Target Company as at the Valuation Date by adopting the Asset-based Approach, was derived as follows,

RMB '000

	Book Amount	**Valuation Adjustment**	**Adjusted Value**
Monetary assets	100,683	–	100,683
Tangible assets	216,538	(23,953)	192,585
Liabilities	(196,574)	–	(196,574)
Net Asset Value	120,647	(23,953)	96,694

* The figures shown may not add to total due to rounding and may be different from the actual worksheet.

The Income Approach

The Income Approach focuses on the economic benefits generated by the income-producing capability of a business enterprise. The underlying theory of this approach is that the value of a business enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business enterprise. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate suitable for the risks associated with realising those benefits. Alternatively, this can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. The core idea under this approach is that a rational buyer normally will purchase an asset only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur at an amount equal to the economic benefits of the asset being valued.

We have used the Discounted Cash Flow ("DCF") analysis of the Income Approach to arrive at our opinion of value of the Appraised Asset. The DCF analysis is designed to serve the purpose of valuing the total sum of money to be received during the useful life of an asset by investing certain amount of capital after considered the time value of money. This would necessitate the subtraction, from net income, the capital expenditures and net changes in working capital and the addition of depreciation in the computation of cash flow. The use of the DCF analysis reflects investment criteria and requires the valuer to make empirical and subjective assumptions.

We considered two variants of the DCF Method, namely, the Free Cash Flows to Equity Technique ("FCFE", equity capital) and the Free Cash Flows to the Firm Technique ("FCFF", invested capital as a whole). The FCFE Technique values the enterprise by estimating the market value of the ownership interests (equity) of the enterprise. This technique requires that the firm's interest expenses, if any, be excluded from the free cash flows and the resulting cash flows to be discounted at the relevant rate of return required by equity. This technique then equates the value of the ownership interests as the value of the enterprise. The FCFF Technique measures the cash flow available to the entire firm (all its claimholders), and therefore interest expenses are added back to arrive at a free cash flows. In this engagement, we have used the FCFF technique.

The first step is to estimate the economic income projection. The projections of the future revenues used in this valuation are mainly based on the information as provided by the Instructing Party or its appointed personnel, and they are responsible for the assumptions upon which the projections are based. We were given to understand that the assumptions adopted by them reflected their judgment of the ability for future operation. We are given to understand that it represented the most likely result. These data have been utilised without further verification.

The next step is to estimate the appropriate present value factor i.e. discount rate. Discount rate equals to the cost of capital. The cost of capital represents investors' expectations and for any given investment is a combination of three basic factors, namely the risk-free rate, the expected inflation and a premium for risk. There are many ways to estimate the discount rate such as the Build-up Model, the Capital Asset Pricing Model ("CAPM") and the Arbitrage Pricing Model for equity investment and the Weighted Average Cost of Capital ("WACC") for invested capital. The use of the appropriate model in each analysis depends on numerous factors, in particular the future capital structure of the investment. There is no universal model that applies to all cases. In this case, we have considered the WACC to arrive at the discount rate.

To compute the WACC, the cost of equity is first derived using the CAPM. The CAPM is a model for pricing an individual security (asset) or a portfolio. For individual security perspective, we made use of the security market line (SML) and its relation to expected return and systematic risk (beta) to show how the market must price individual securities in relation to their security risk class. The SML enables us to calculate the reward-to-risk ratio for any security in relation to that of the overall market. Therefore, when the expected rate of return for any security is deflated by its beta coefficient, the reward-to-risk ratio for any individual security in the market is equal to the market reward-to-risk ratio, thus, for illustration purpose,

$$r_a = r_f + \beta_a\left(r_m - r_f\right)$$

Where, r_a = CAPM derived discount rate
r_f = risk free rate
β_a = beta of the asset
r_m = expected market return

Source: Investopedia

In estimating the discount rate in the valuation, we have adopted the market-derived discount rate by the CAPM. After our study, 6 companies with similar business to the Target Company, were identified as comparable companies to arrive at the systematic risk level representative of the industry the Target Company is involved in. The following table is the summary of the comparable companies and their corresponding indices.

Ticker	**Company Name**	**Adjusted Beta**	**Debt-to-Equity**
686 HK	United Photovoltaics Group Limited	0.667	2.97
600770 CH	Jiangsu Zongyi Co., Ltd.	1.171	0.06
SUNS IN	Sun Source India Ltd.	0.442	0.22
TSE TB	Thai Solar Energy PCL	1.165	0.06
UJEL IN	Ujaas Energy Ltd	0.934	0.11
295 HK	Kong Sun Holdings Limited	0.515	0.86

Source: Bloomberg

After adjustments and removing outliers, a (relevered) beta of 0.94, a risk free rate of 3.06%, and a market premium of 9.93%, were considered. After consideration of additional size premium, a cost of equity of approximately 18% was adopted.

WACC is the average of the expected return on all of a company's capital. Each source of capital, such as stocks, bonds, and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment *(extracted from investorwords.com for readers' easy understanding)*.

The WACC is computed using the following formula (for illustration purpose):

$$WACC = P_e \times R_e + P_1 \times R_1$$

Where P_e = percentage of equity investment to total capital funds
P_1 = percentage of loaned funds
R_e = opportunity cost of capital of equity funds
R_1 = effective cost of loaned funds

Adopting a D/E ratio of 1.61, which is referenced to the management accounts of the Target Company as at the Valuation Date, a WACC of approximately 10% was adopted in the valuation.

VALUATION COMMENTS AND RECONCILIATION

We considered the Income Approach the most appropriate to reach a value conclusion for the Target Company. We found the Asset-based Approach inappropriate in this instance due to the fact that it did not take into account of the income generating ability of the Appraised Asset.

Since the Target Company is a private company, and by definition, ownership interests in closely held companies are typically not readily marketable, and not as liquid and as easily converted to cash compared to similar interests in the public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In this valuation, we opted to apply a lack of marketability discount (“DLOM”) for the Income Approach valuation.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Appraised Asset. Also, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Appraised Asset. Unless otherwise stated, it is assumed that the Appraised Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the Appraised Asset is able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the date of this report, we are unable to identify any adverse news against the Appraised Asset or each of the operating units of the Target Company which may affect the reported value in our report. Thus, we are not in the position to report and comment on its impact (if any) to the Appraised Asset. However, should it be established subsequently that such news did exist as at the Valuation Date, we reserve the right to adjust the value reported herein.

INSPECTIONS AND INVESTIGATIONS

As a part of the agreed-upon procedure, we have visited the office of the Target Company and conducted a limited scope of inspection of the Appraised Asset where accessible by vehicle or on foot. According to the Instructing Party, we have inspected all the sub-zones of the site, and then we have randomly picked several points to conduct a detailed sampling, which we consider as the most appropriate method of inspection given the circumstances and large area occupied by the Appraised Asset. We consider that we have been provided with information requested for the purpose of our valuation. Verification work is only performed on when and where appropriate bases, and without violating the laws and regulations in China.

If there is a third party other than the legally interested party in the Target Company proposing to acquire the Appraised Asset (a part of or the whole of) and wants to satisfy them as to its condition and status, then the third party should obtain a relevant detailed due diligence work and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

Our engagement and the agreed procedures to value did not include an independent land survey to verify the legal boundaries of the premises occupied by the Target Company, if any. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the areas that appeared on the documents handed to us, if any. No responsibility from our part is assumed. The Instructing Party or interested party in the premises should conduct their own legal boundaries due diligence work.

SOURCES OF INFORMATION AND ITS VERIFICATION

For the purpose of valuing the Appraised Asset, we were furnished with documents related to the Appraised Asset on going concern basis. These data have been utilised without further verification. No responsibility or liability is assumed for the accuracy of the provided information.

We have relied on the information provided by the Instructing Party or its appointed personnel and have fully accepted advice given to us on information relating to this valuation.

We are not contracted to conduct due diligence to review the solar industry in the PRC, or to undertake feasibility study of any proposed business plans. In the course of appraisal, we have solely based on the profit forecast given by the Instructing Party and we do not express an opinion as to the merit or demerit of any future expansion of the business.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect the appraisal. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no guaranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other named or unnamed professions, external data providers and/or the Instructing Party in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also apply in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party. We have sought and received confirmation from the Instructing Party that no material factors have been omitted from the information supplied.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

OPINION OF VALUE

Based on the above, and on the appraisal method(s) employed, it is our opinion that as of the Valuation Date, the possible business enterprise value of the Target Company (before taking into consideration any transaction cost) was reasonably stated by the amount of **RENMINBI ONE HUNDRED AND FIFTY FIVE MILLION YUAN ONLY (RMB155,000,000)**.

LIMITING CONDITIONS

This report is provided strictly for the sole use of the Instructing Party. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Unless otherwise stated, the copyright of this report belongs to us.

Our opinion of value in this report is valid only for the stated purpose at the Valuation Date. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us harmless and our personnel from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our opinion of value is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the reporting guidelines as contained in the IVS. The valuation has been undertaken by us as a qualified and external valuer for the purpose of the valuation.

We retain a copy of our report together with the data provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no present or prospective interest in the Appraised Asset, the Company or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *BSc MSc RPS(GP)*
Executive Director

Contributing Valuers:
Rolando Arcaya *BScME ASA*
Ivan Chan Chun Ting *BSc*
Nathan Wong Ming Nok *BEng MSc*

Valuation Report

On the Entire Equity Interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) Proposed to be Acquired by Liaoning Oxiranchem, Inc.

Zhong Rui Ping Bao Zi [2017] No. 000074

Zhong Rui Assets Appraisal Co., Ltd.
10 March 2017

* *For identification only*

CONTENT

REPRESENTATION OF ASSET VALUER

This valuation report aims to assist the instructing parties in completing the economic matter involved in the purpose of valuation by providing valuation opinions for reference.

I. While carrying out this asset valuation operation, we have complied with relevant laws, regulations and provisions of asset valuation standards, and adhered to the principles of independence, objectivity and justice. According to the information collected during the valuation process, the content stated in the valuation report is objective and we shall be held responsible for any corresponding legal liabilities in relation to the reasonableness of the conclusion of the valuation.

II. The list of assets and liabilities of the appraised entity is reported and confirmed by signature and sealed by the instructing parties and the appraised entity. The authenticity, legality, completeness and proper use of the valuation report is the responsibility of the instructing parties and relevant parties.

III. We have no existing or projected interests with the appraised entity mentioned in the valuation report, no existing or projected interests with the relevant parties, nor bias against any relevant parties.

IV. We have conducted on-site investigation on the appraised entity and its assets mentioned in the valuation report. We have placed necessary emphasis on the legal ownership of the appraised entity and its assets and verified the legal ownership of the appraised entity and its assets. We have disclosed the issues identified in a truthful manner and requested the instructing parties and relevant parties to perfect the legal ownership in order to satisfy the requirements of issuing the valuation report.

V. The analysis, judgements and conclusions in our valuation report are subject to the assumptions and limitations in the valuation report. Users of the valuation report should carefully consider the assumptions, limitations, and explanation of special matters in the valuation report, and their impact on the conclusions of the valuation.

Entire Equity Interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) Proposed to be Acquired by Liaoning Oxiranchem, Inc.

Summary

Zhong Rui Ping Bao Zi [2017] No. 000074

The contents below are extracts of the text of the valuation report. Please read the valuation report carefully to learn about the details of this valuation project and acquire a reasonable understanding of the valuation conclusions.

I. Purpose of valuation: This valuation was conducted for the proposed acquisition of the equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), a subsidiary of Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), by Liaoning Oxiranchem, Inc. Liaoning Oxiranchem, Inc. and Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) mutually engaged us to evaluate the market value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at the reference date of valuation on 31 December 2016. The fair value arrived at from this valuation serves only as a reference for such economic behavior.

II. Target and scope of valuation: The valuation target is the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司). The scope of valuation is all the assets and liabilities of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), subject to the balance sheet and asset valuation declaration form provided by Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司).

III. Reference date of valuation: 31 December 2016.

IV. Type of value: Market value

V. Valuation approach: The entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) were valued by adopting the asset-based approach and income approach.

VI. Implementation process of the valuation procedures: The valuation conclusions were arrived at after certain procedures, including on-site investigation, information collection and analysis, and estimation appraisal.

VII. Valuation conclusions: We adopted the asset-based approach and income approach to fairly reflect the market value of the entire equity interests in Golmud

Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at 31 December 2016. The results of the asset valuation are as follows:

(I) Asset-based approach

On the premise of going concern, as at 31 December 2016, being the reference date of valuation, the carrying amount of the total assets of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) amounted to RMB317,221,300 and the appraised value of the assets amounted to RMB342,989,100, representing an increase of RMB25,767,800 or 8.12%; the carrying amount of the total liabilities amounted to RMB196,601,800 and the appraised value of the liabilities amounted to RMB196,601,800, representing no changes; the carrying amount of the net assets (entire equity interests) amounted to RMB120,619,500 and the appraised value of the same amounted to RMB146,387,300, representing an increase of RMB25,767,800 or 21.36%. The valuation findings of each type of assets and liabilities are set out in the table below:

Summary of Asset Valuation Findings

Name of appraised entity:
Golmud Solargiga Energy Electric Power Co., Ltd*
(格爾木陽光能源電力有限公司) *Currency and unit: RMB ten thousand*

Item		Carrying amount A	Appraised value B	Increase/ decrease C=B-A	Percentage of increase D=C/A×100%
Current assets		10,068.31	10,068.31	–	–
Non-current assets		21,653.82	24,230.60	2,576.78	11.90
Of which:	Available-for-sale financial assets	–	–	–	–
	Long-term equity investment	–	–	–	–
	Fixed assets	21,653.82	22,028.67	374.85	1.73
	Construction in progress	–	–	–	–
	Intangible assets	–	2,201.93	2,201.93	–
	Research and development expenditure	–	–	–	–
Total assets		31,722.13	34,298.91	2,576.78	8.12
Current liabilities		1,760.18	1,760.18	–	–
Non-current liabilities		17,900.00	17,900.00	–	–
Total liabilities		19,660.18	19,660.18	–	–
Net assets (owner's equity)		12,061.95	14,638.73	2,576.78	21.36

(II) Valuation findings of the income approach:

The carrying amount of the net assets of the appraised entity as at 31 December 2016, being the reference date of valuation, amounted to RMB120,619,500. By adopting the income approach, the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) were valued to be RMB155,972,900, representing an increase of RMB35,353,400 or 29%.

(III) Analysis of the difference in valuation findings by adopting two different approaches

There is a difference of RMB9,585,600 in the valuation findings between the asset-based approach and the income approach. The asset-based approach is an indirect valuation of the market value of an asset from the perspective of asset replacement based on the balance sheet of the appraised entity. The income approach is an appraisal of an asset from the perspective of the expected profitability of the asset, which is the fundamental principle of determining the prevailing market value of the asset. Therefore, there are differences between the two approaches.

(IV) Selection of valuation findings

As a photovoltaic power generation company, Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) relies primarily on its important intangible assets, such as management team and customer resources, apart from tangible assets including fixed assets and working capital, to conduct its operations. The asset-based approach only covers the existing assets of a company as appeared on its account, which cannot objectively reflect the value brought to the company by its intangible assets, such as trademarks and goodwill.

In view of the above, after taking into consideration the reasonableness of the different valuation approaches and preliminary valuation conclusions, and the quality and quantity of the data used, the appraisal personnel considered that the valuation findings from the income approach was more reliable and convincing based on the purpose of this valuation and the conditions of the company. Therefore, the valuation findings from the income approach were used as the final valuation conclusions.

In other words, the appraised value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) was RMB155,972,900.

VIII. While using these valuation conclusions, users of the report are reminded to pay attention to the special matters and subsequent material matters specified in this report.

IX. The valuation conclusions of this report shall be valid for one year from the reference date of valuation to 30 December 2017. Revaluation will be needed after one year.

X. The contents below are extracts of the text of the valuation report. Please read the valuation report carefully to learn about the details of this valuation project and acquire a reasonable understanding of the valuation conclusions.

Valuation Report

On the Entire Equity Interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) Proposed to be Acquired by Liaoning Oxiranchem, Inc.

Zhong Rui Ping Bao Zi [2017] No. 000074

To Liaoning Oxiranchem, Inc. and Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司):

Zhong Rui Assets Appraisal Co., Ltd. ("we") accepted the engagement of Liaoning Oxiranchem, Inc. and Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) to evaluate the market value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at the reference date of valuation on 31 December 2016 in an objective, independent, fair and rational manner by adopting generally accepted asset valuation approaches according to the relevant national asset valuation requirements for the proposed acquisition of the equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), a subsidiary of Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), by Liaoning Oxiranchem, Inc. The appraisal personnel conducted field survey, market investigation and enquiries on the appraised entity by following the required valuation procedures to fairly reflect the market value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at 31 December 2016. The conditions and results of the valuation is reported as follows:

I. PARTICULARS OF THE INSTRUCTING PARTIES, APPRAISED ENTITY, TITLE OWNER AND OTHER USERS OF THE REPORT

(I) Particulars of instructing parties

1. First instructing party:

Company name:	Liaoning Oxiranchem, Inc.
Company address:	No. 38, Wanhe Seventh Road, Hongwei District, Liaoyang
Legal representative:	ZHU Jianmin

Registered capital:	Renminbi Six Hundred And Seventy-Three Million Nine Hundred And Twenty Thousand Only
Type of company:	Joint stock limited company
Scope of operations:	production: polyethylene glycol, polyether polyol, chemical agent; sale: chemical products (shall not operate ethylene oxide, allyl alcohol, phenol and other dangerous goods), self-run import and export; road transport of general goods; transport of operational dangerous goods (except 1st item of the 2nd category, 3rd category and poisonous chemicals); technical consultation, technical service and technology transfer in the sectors of surfactant, polycarboxylic acid polymer, olefin oxide catalysis and polymerization. (Approval shall be obtained from the relevant authorities before operating items that need to be approved according to the laws.)
Date of establishment:	1 January 2000
Term of operation:	From 1 January 2000 to long-term
Certificate no.:	211000004005243
Stock short name:	Oxiranchem
Stock code:	3000082

Company introduction:	Among one of the first innovative enterprises, key high and new technology enterprises and national harmonious labor relations model enterprises in China, Liaoning Oxiranchem, Inc. has been ranked among the top 500 chemical enterprises in China successively for many years with a national-level enterprise technical center and a national post-doctoral scientific research workstation. The leading products of Oxiranchem are ethylene oxide derivative new fine chemical materials, including polyether monomer used as high-performance cement water reducer, polycrystalline silicon cutting liquid for solar cells, and polyethylene glycol. It owns a number of wholly-owned subsidiaries and joint ventures in Liaoning, Jilin, Shandong, Nanjing, Jiangsu, Jiangxi, Guangdong, Hubei, Sichuan and Shanghai, etc. with a registered capital of RMB674 million. It has more than 1,200 employees, of which 75% have tertiary education or above, 12% have attained the postgraduate level, and 5% are senior technical professionals with professor, associate professor, doctoral and post-doctoral level. Oxiranchem was successfully listed in May 2010. By the end of 2014, Oxiranchem reached one million tons in its production capacity of ethylene oxide derivative new fine chemical materials, making it one of the top three oxide intensive processing enterprises in the world. Oxiranchem has become the largest and most competitive leading enterprise in ethylene oxide intensive processing in China, as well as the world's largest manufacturer of polyether monomer used as high-performance cement water reducer and silicon cutting liquid for solar cells.

2. *Second instructing party:*

Company name:	Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司)
Company address:	No. 102, Jiefang West Road, Taihe District, Jinzhou
Legal representative:	LI Hongbang
Registered capital:	Renminbi One Billion One Hundred And Fifty-One Million Five Hundred And Sixty-Five Thousand Four Hundred And Seventy-Nine Only

Type of company:	Limited liability company (wholly-owned by legal person from Taiwan, Hong Kong or Macau)
Scope of operations:	production of silicon materials and their products, silicon solar cells, silicon solar cell products and their application, silicon solar cell modules and auxiliary products, quartz products, graphite products, cutting liquid and silicon carbide recycling products, guide wheel processing products; silicon solar cell power plant (standalone system) and auxiliary products. (Operate with the relevant permit if administrative permit is required) (Approval shall be obtained from the relevant authorities before operating items that need to be approved according to the laws.)
Date of establishment:	15 December 2004
Term of operation:	From 15 December 2004 to 14 December 2024
Credibility code:	91210700768326032J

(II) Particulars of the appraised entity

1. Company registration

Company name:	Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司)
Company address:	7 kilometers from the Golmud City South Exit
Legal representative:	TAN Wenhua
Registered capital:	One Hundred Million Yuan Only
Type of company:	Limited liability company (wholly-owned by legal person who is a foreign invested enterprise)
Scope of operations:	construction and operation of grid-connected photovoltaic power plant (The above items shall be operated with the relevant permit if administrative permit is required). Sale of solar cell modules and equipment related to photovoltaic power plants (except specially specified by the country).
Date of establishment:	21 September 2011

Term of operation: 21 September 2011 to 20 September 2031

Credibility code: 916328015799058441

2. Corporate history

The company was established on 21 September 2011 with capital contribution in the form of money capital by Solargiga Energy (Qinghai) Co., Ltd. Its registered capital amounted to RMB30 million. Such capital contribution was verified by Qinghai Dazheng Certified Public Accountant Co., Ltd.* (青海大正會計師事務所有限公司), who issued the Capital Verification Report (Da Zheng Kuai Shi Yan Zi [2011] No. 646).

On 28 September 2011, pursuant to the resolutions passed at the general meeting and the articles of association of the company, the company decided to increase its registered capital by RMB20 million, all of which was contributed by Solargiga Energy (Qinghai) Co., Ltd. in cash. After the increase, the company's registered capital was changed to RMB50 million. Such capital contribution was verified by Qinghai Dazheng Certified Public Accountant Co., Ltd.* (青海大正會計師事務所有限公司), who issued the Capital Verification Report (Da Zheng Kuai Shi Yan Zi [2011] No. 656).

On 23 December 2011, pursuant to the resolutions passed at the general meeting and the articles of association of the company, Solargiga Energy (Qinghai) Co., Ltd., a shareholder, transferred its 2% equity interests to WANG Jibin, a new shareholder. Meanwhile, the company applied for a capital increase of RMB50 million, which was paid up by WANG Jibin, Alaer Xinyangguang Technology Company Limited* (阿拉爾新陽光科技有限公司) and Yongsheng (Shandong) Energy Company Limited* (永盛(山東)能源有限公司), who were new shareholders, in two installments. The additional registered capital was paid up by the new shareholders before 20 January 2012. The capital contribution installments were verified by Qinghai Dazheng Certified Public Accountant Co., Ltd.* (青海大正會計師事務所有限公司), who issued the Capital Verification Reports (Da Zheng Kuai Shi Yan Zi [2011] No. 404 and Da Zheng Kuai Shi Yan Zi [2011] No. 058). The shareholdings subsequent to the increase in capital is as follows:

No.	**Name of shareholder**	**Contribution amount** *(RMB ten thousand)*	**Shareholding** %
1	Solargiga Energy (Qinghai) Co., Ltd.	4,900.00	49%
2	WANG Jibin	2,100.00	21%
3	Alaer Xinyangguang Technology Company Limited* (阿拉爾新陽光科技有限公司)	2,000.00	20%
4	Yongsheng (Shandong) Energy Company Limited* (永盛(山東)能源有限公司)	1,000.00	10%
	Total	10,000.00	100%

On 28 April 2013, pursuant to the resolutions passed at the general meeting and the articles of association of the company, with unanimous consent of all the shareholders, Solargiga Energy (Qinghai) Co., Ltd., a shareholder, transferred its 49% equity interests to Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a new shareholder. Subsequent to the equity transfer, Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) held 49% equity interests in the company.

On 2 September 2013, pursuant to the resolutions passed at the general meeting and the articles of association of the company, with unanimous consent of all the shareholders, WANG Jibin, a shareholder, transferred his 21% equity interests to Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a shareholder. Subsequent to the equity transfer, Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) held 70% equity interests in the company.

On 9 October 2016, pursuant to the resolutions passed at the general meeting and the articles of association of the company, with unanimous consent of all the shareholders, Alaer Xinyangguang Technology Company Limited* (阿拉爾新陽光科技有限公司), a shareholder, transferred its 20% equity interests to Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a shareholder. Yongsheng (Shandong) Energy Company Limited* (永盛（山東）能源有限公司), a shareholder, transferred its 10% equity interests to Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a shareholder. Subsequent to the equity transfers, Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) held 100% equity interests in the company. The shareholdings of the company subsequent to the equity transfers is as follows:

No.	Name of shareholder	Contribution amount *(RMB ten thousand)*	Shareholding %
1	Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司)	10,000.00	100%
	Total	10,000.00	100%

As of 31 December 2016, there are no changes in the shareholding of the company.

3. *Main operating results*

① *Financial conditions for the recent years*

Currency and unit: RMB

Item	2013	2014	2015	2016
Total assets	310,738,557.51	304,993,632.71	311,888,261.77	317,221,318.35
Total liabilities	192,085,116.38	195,336,729.60	193,292,914.69	196,601,822.10
Total owner's equity	118,653,441.13	109,656,903.11	118,595,347.08	120,619,496.25

② *Operational conditions for the recent years*

Currency and unit: RMB

Item		2013	2014	2015	2016
I.	Operating income	9,959,789.01	29,532,144.47	38,734,502.92	29,353,767.59
	Less: Operating cost	18,258,980.02	13,337,432.63	12,713,035.27	12,906,780.00
	Taxes and surcharges	–	–	289,719.33	–
	Operating expense	–	–	–	–
	Management fee	1,981,835.50	2,259,068.76	2,179,569.14	1,132,248.32
	Finance cost	8,809,120.96	15,898,739.83	14,364,896.61	13,105,552.75
	Adjustment in profit and loss for prior year	–	–	–	–
	Asset impairment losses	–	–	–	–
II.	Operating profit	–19,090,147.47	–1,963,096.75	9,187,282.57	2,209,186.52
	Add: Non-operating income	49,059,474.37	100,000.00	–	365,000.00
	Less: Non-operating expense	82.42	–	10,472.92	365,000.00
III.	Total profit	29,969,244.48	–1,863,096.75	9,176,809.65	2,209,186.52
	Less: Income tax expenses	–	–	238,365.70	193,740.39
IV.	Net profit	29,969,244.48	–1,863,096.75	8,938,443.95	2,015,446.13

Note: The above financial conditions and operating results are the financial data of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司). The financial data for 2013 were audited by Qinghai Baoxin Certified Public Accountants* (青海保信會計師事務所有限公司), who issued the Qing Bao Shen Zi (2014) No. 302; the financial data for 2014 were audited by Qinghai Dazheng Certified Public Accountant Co., Ltd.* (青海正信會計師事務所有限公司), who issued the Qing Zheng Kuai Shen Zi (2015) No. 167; the financial data for 2015 were audited by Qinghai Dazheng Certified Public Accountant Co., Ltd.* (青海大正會計師事務所有限公司), who issued the Da Zheng Kuai Shi Shen Zi (2016) No. 195; the financial data as at the reference date of valuation were audited by Zhongxingcai Guanghua Certified Public Accountants LLP* (中興財光華會計師事務所(特殊普通合夥)), who issued the Audit Report (Zhong Xing Cai Guang Hua Shen Kuai Zi (2017) No. 213015).

4. *Significant accounting policies applied*

(i) Basis of preparation of the financial statements

The company applied the Accounting Standards for Business Enterprises – Basic Standards and 38 accounting standards issued by the Ministry of Finance, and the Accounting Standards for Business Enterprises Implementation Guidance, Accounting Standards for Business Enterprises Interpretations and the other relevant requirements issued subsequently (hereinafter referred to as "Accounting Standards for Business Enterprises").

The company prepared the financial statements on a going concern basis.

(ii) Financial period

The financial year of the company is from 1 January to 31 December (Gregorian calendar).

(iii) Standard currency

The standard currency of the company is Renminbi.

(iv) Major tax types and tax rates

Tax type	Basis of calculation	Tax rate
Value-added tax (VAT)	Output VAT is calculated based on the sales of goods and taxable service income calculated according to tax laws	17%
Urban Construction & Maintenance Tax	Calculated based on the business tax, value-added tax and consumption tax actually paid	7%
Corporate income tax	Calculated based on the taxable income	25%
Education surcharge	Calculated based on the amount of indirect tax actually paid and the amounts of tax exemption and reduction	3%
Local education surcharge	Calculated based on the amount of indirect tax actually paid and the amounts of tax exemption and reduction	2%

(v) Tax concession

The corporate income tax rate of the appraised entity is 25%. The appraised entity is currently entitled to the tax concessions from the western development policy. Since the year of operation, it can enjoy tax exemption for five years, followed by 50% reduction in tax rate for three years. The period from 2017 to 2019 is the 50% tax reduction period, while a 25% income tax rate will be applicable for 2020 and beyond.

(III) Title owner:

Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司).

(IV) Particulars of the other users of the valuation report as agreed in the engagement letter.

As agreed in the valuation engagement letter, apart from the instructing parties and the government departments associated with such economic behavior, there are no other valuation report users.

(V) Relationship between the instructing parties and the appraised entity

One of the instructing parties is the acquirer while another instructing party is a shareholder of the appraised entity.

II. PURPOSE OF VALUATION

Liaoning Oxiranchem, Inc. proposed to acquire the equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), a subsidiary of Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司). For this purpose, a valuation was conducted on the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at the reference date of valuation on 31 December 2016 to serve as a value reference for Liaoning Oxiranchem, Inc. to acquire the equity interests in question.

III. TARGET AND SCOPE OF VALUATION

The target of this valuation is the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司).

The scope of this asset valuation is all the assets and the relevant liabilities of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at the reference date of valuation, which are categorized in the table below:

Unit: RMB

Item		Carrying amount
I.	**Total current assets**	**100,683,086.35**
	Money capital	903,579.86
	Account receivables	3,016,760.92
	Prepayments	78,100.36
	Other receivables	83,263,162.73
	Other current assets	13,421,482.48
II.	**Total non-current assets**	**216,538,232.00**
	Fixed assets	216,538,232.00
III.	**Total assets**	**317,221,318.35**
IV.	**Total current liabilities**	**17,601,822.10**
	Account payables	2,387,248.07
	Remuneration payable to employees	176,855.00
	Tax payables	37,719.03
	Non-current liabilities due within one year	15,000,000.00
V.	**Total non-current liabilities**	**179,000,000.00**
	Long-term borrowings	179,000,000.00
VI.	**Total liabilities**	**196,601,822.10**
VII.	**Net assets (owner's equity)**	**120,619,496.25**

The valuation target and scope of valuation are consistent with those involved in the economic behavior.

(II) Conditions of main assets

Physical assets included in the scope of valuation comprise: buildings, structures and equipment assets, etc. The types and characteristics of physical assets are set out below:

1. 15 buildings and structures in total, which mainly include office buildings, inverter rooms (20 units), security rooms, fire pump rooms, fences (high-speed mesh), stainless steel electric folding doors, fire cisterns, projects (reactive power compensation), fire alarm systems, full earthing, security systems, ventilation, air-conditioning and heating systems, indoor lighting systems, deep well renovation projects and in-station communication systems located in the Golmud Solargiga Youhua Photovoltaic Power Plant in Qinghai Province (青海省格爾木市格爾木陽光佑華光伏電站).

2. 27 machineries and equipment in total, which mainly include photovoltaic power generation equipment such as photovoltaic modules (240WP and 230WP), grid-tie inverter and reactive power compensation switch cabinet located in the Golmud Solargiga Youhua Photovoltaic Power Plant in Qinghai Province.

3. 9 electronic equipment in total, which mainly include notebook computers, printers, golden tax cards and office desks located in the Golmud Solargiga Youhua Photovoltaic Power Plant in Qinghai Province and the office at Room 2004, Block 1, Star of City, Golmud, Qinghai Province (青海省格爾木市城市之星1號樓2004辦公室).

(III) Unaccounted intangible assets reported by the company

The unaccounted intangible assets held by Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) were land use rights with a carrying amount of RMB0.00. Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) obtained the rights of use for the land parcel located at the east side of National Highway 109, 7 kilometers from the Golmud City South Exit on 7 June 2013. The land parcel has an area of 440,386.00㎡. The owner of such land use rights is Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司). The land use rights are categorized as transfer, and the land is used for industrial purpose. There is no expiry date for the use of land. As at the reference date of valuation, no third-party rights were found on the subject land parcel.

(IV) Type and quantity of off-balance-sheet assets as reported by the company

Nil

(V) Type, quantity and carrying amount of assets quoted from the conclusion of the reports issued by other organisations

Nil

IV. TYPE AND DEFINITION OF VALUE

The type of value adopted in the valuation conclusions of this report is market value.

The market value specified in this valuation refers to the market value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), the target of this valuation, as at the reference date of valuation.

Market value means the estimated amount for which an item should exchange on the reference date of valuation between a willing buyer and a willing seller in an arm's length transaction, where the parties had each acted rationally and without compulsion.

V. REFERENCE DATE OF VALUATION

The reference date of asset valuation for this project is 31 December 2016.

The said reference date of valuation was set by the instructing parties in order to ensure the authenticity, completeness and fairness of the information required for the valuation and the effectiveness of the valuation report.

VI. BASIS OF VALUATION

(I) Behavioral basis

The Asset Valuation Engagement Letter entered into between the instructing parties and Zhong Rui Assets Appraisal Co., Ltd..

(II) Legal basis

1. Company Law of the People's Republic of China;

2. Securities Law of the People's Republic of China;

3. Land Administration Law of the People's Republic of China (Order No. 28 of the President of the People's Republic of China, approved at the 11th meeting of the Standing Committee of the 10th National People's Congress on 28 August 2004);

4. Urban Real Estate Administration Law of the People's Republic of China (Order No. 29 of the President of the People's Republic of China, revised at the 29th meeting of the Standing Committee of the 10th National People's Congress on 30 August 2007);

5. Regulations for Valuation of Urban Land (《城鎮土地估價規程》) (Standards of the People's Republic of China GB/T18508-2014);

6. Real Property Valuation Standards (《房地產估價規範》) (Standards of the People's Republic of China GB/T5021-2015);

7. Interim Measures for the Supervision and Administration of State-Owned Assets of the Enterprises (Order No. 378 of the State Council);

8. Administrative Measures for State-Owned Assets Assessment (Order No. 91 of the State Council);

9. Notice on the Publication of the Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36);

10. Interim Measures for the Administration of Assessment of State-owned Assets of the Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

11. Notice of Issues on Strengthening the Administration of Assessment of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);

12. Notice of Matters Concerning the Verification of the State-Owned Assets Valuation Report of Enterprises (Guo Zi Chan Quan [2009] No. 941);

13. Asset Assessment Law of the People's Republic of China;

14. Other relevant laws, regulations and notices, etc.

(III) Basis of standards

1. Asset Valuation Standards – Basic Standards and Asset Valuation Professional Ethics Standards – Basic Standards (Cai Qi [2004] No. 20), which were approved to be published by the Ministry of Finance (published on 25 February 2004 and effective on 1 May 2004);

2. Notice from the Chinese Institute of Certified Public Accountants on the Publication of the Guiding Opinions for Certified Public Valuer on Legal Ownership of Subject under Appraisal (Kuai Xie [2003] No. 18 of the Chinese Institute of Certified Public Accountants);

3. Notice from the China Appraisal Society on the Publication of Asset Valuation Standards – Enterprise Value (Zhong Ping Xie [2011] No. 227);

4. Notice from the China Appraisal Society on the Publication of Seven Asset Valuation Standards Including Asset Valuation Standards –Valuation Report (Zhong Ping Xie [2007] No. 189, revised on 31 December 2011);

5. Accounting Standards for Business Enterprises – Basic Standards (Order No. 33 of the Ministry of Finance, 2006);

6. Notice on the Publication of 38 Specific Standards Including Accounting Standards for Enterprises No. 1 – Inventories (Cai Kuai [2006] No. 3 of the Ministry of Finance);

7. Accounting Standards for Enterprises – Implementation Guidance (2006) and Accounting Standards for Enterprises – Explanatory Guidance (2008) of the Ministry of Finance;

8. Asset Valuation Professional Ethics Standards – Independence (Zhong Ping Xie [2012] No. 248, published on 28 December 2012 and effective on 1 July 2013);

9. Asset Valuation Standards — Use of Experts (Zhong Ping Xie [2012] No. 244, published on 28 December 2012 and effective on 1 July 2013);

10. Guidelines for the Valuation Reports of State-owned Assets of Enterprises (Zhong Ping Xie [2011] No. 230).

(IV) Basis of ownership

1. Copies of land use right certificate;

2. Copies of Written Opinion on Site Selection for Construction Project;

3. Copies of Construction Land Use Planning Permit;

4. Copies of the Preliminary Review Opinions on Survey and Demarcation of the Construction Land of the Golmud 20MW grid-connected photovoltaic power project of Solargiga Energy (Qinghai) Co., Ltd. in Qinghai;

5. Other proof of ownership.

(V) Pricing basis

1. Integrated Unit Price for the List of Work Volume for Construction Projects in Qinghai Province (2008);

2. Cost Information for Construction Projects in Golmud (Volume 12, 2016);

3. Standard Budgeted Charge for Construction Projects in Qinghai Province (2008 version);

4. Standard Budgeted Charge for Installation Projects in China – List of Integrated Unit Price in Qinghai Province (2002 version);

5. Pricelist of Construction and Decoration Projects in Qinghai Province (2004);

6. Standard Budgeted Charge for Construction and Decoration Projects in Qinghai Province (2008 version);

7. Fixed Costs for Construction Projects in Qinghai Province (2009);

8. Quotation Manual for Mechanical and Electrical Products (2016 version) published by Information Research Institute of Mechanical Industry;

9. Manual for General Data and Parameters of Asset Valuation published by Beijing Science and Technology Press;

10. Prevailing factory price information published in the internet and provided by distributors;

11. Payment vouchers and invoices of important equipment;

12. Prevailing lending interest rate published by the People's Bank of China;

13. Financial and accounting information, including audit reports, balance sheets and profit statements, of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) for 2013, 2014, 2015 and 2016;

14. On-site investigation of the current status of assets;

15. Opinions of the relevant management and operational staff of the company on the future development, projected market prospects, sales, costs, investment and management of the company;

16. Relevant policies, laws, regulations, contracts, agreements and documents, etc.

(VI) Reference materials and others

1. The Asset Valuation Declaration Breakdown reported by the instructing parties and title owner;

2. Explanations on matters related to asset valuation provided by the instructing parties and title owner;

3. Accounting vouchers, financial statements and other accounting information;

4. Other valuation-related information obtained by the asset valuer during on-site survey and market investigation.

VII. VALUATION APPROACH

(I) Selection of valuation approach

While appraising the value of a company, we have to analyse the applicability of the basic asset valuation approaches and select one or more basic asset valuation approaches appropriately based on various conditions, including the purpose of valuation, subject of valuation, type of values, market conditions during the valuation, conditions of the appraised entity during the valuation process and the data collected.

In accordance with the requirements of the asset valuation standards of the PRC, three basic valuation approaches can be adopted to evaluate the value of a company, namely the income approach, market approach and asset-based approach. Income approach is the quantification and capitalization of the expected earning power of the overall assets of an entity, and it stresses on the overall expected profitability of an entity. Market approach refers to the method of valuation in which the present fair market value of the valuation target is valued by comparing it with the references in the real market. The valuation data of this approach can be directly sourced from the market and the result of valuation can be strongly convincing. Asset-based approach refers to the method of valuation in which the value of the appraised entity is determined by reasonable valuation of the assets and liabilities of the entity.

Based on the understanding of the appraisal personnel on the current operation status, business plan and development plan of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) and the research and analysis on the relevant industry and market it was operating, the appraisal personnel considered that the company possessed expectable sustainability and profitability in the future period and was eligible for adopting the income approach in its valuation.

Due to the complete financial information and asset management information available for the appraised entity, broad sources of data and information about the asset reacquisition cost, and the inherent association and replacement between the asset replacement cost and the prevailing market price and present value of the income of the asset, the asset-based approach can also be adopted for this valuation.

The prerequisites for adopting the market approach is an active open market, and the availability of sufficient market data and comparable transactions on the open market. Owing to the immature equity transaction market for non-listed companies in China and the lack of similar comparable transactions, there are very few listed companies sharing similar operational direction, asset size and operation scale with the appraised entity. Significant revision will need to be made if general transactions are chosen. In such case, the previous cases will not be able to provide any useful reference for this project and the conditions of adopting the market approach for valuation will not be met. Therefore, the market approach is not applicable for this valuation.

Based on the above analysis, the asset-based approach and income approach were adopted separately for this valuation. The appraised value was arrived at by comparing the valuation conclusions of the two valuation approaches and analyzing the causes of such differences.

(II) Introduction of the asset-based approach

The asset-based approach determines the overall asset value based on the investment amount needed to rebuild an entity identical with the valuation target or a standalone profit-making entity on the reference date of valuation. Specifically, it refers to the method that calculates the company value by summing up the estimated values of all kinds of essential assets of the company and deducting the estimated value of liabilities.

The valuation methods for each type of assets and liabilities are as follows:

1. Valuation of current assets

(i) Money capital: The appraisal personnel determined the valuation by monitoring the on-site stock-taking of the cash in hand of the reporting entity on a business day and back-calculating the same on the reference date of valuation. As for bank deposits, a trial balance will be made by using the bank statements and bank reconciliations. After double-checking, the appraised value would be determined based on the verified carrying amount for RMB-denominated money capital.

(ii) Receivables (account receivables, prepayments and other receivables, etc.): The appraisal personnel determined the appraised value of the receivables by analysing the economic substance and aging through examining the books and original vouchers and by analysing the recoverable amount of the receivables and assessing the risk of loss of the future recoverable amount through a combination of specific identification and aging analysis.

(iii) Other current assets: The appraised value was determined based on the remaining rights to the assets and the verified carrying amounts after verification of their legality, reasonableness, authenticity and accuracy.

2. Valuation of buildings

The buildings within this scope of valuation were used for industrial purpose and there were very few past transactions for reference. Meanwhile, none of the buildings was leased out. Hence, the market approach and income approach were not applicable.

Since complete information on the indexes and parameters constituting the replacement cost was available for the location of the valuation target and such information was suitable for the valuation of this project, we decided to adopt the replacement cost approach in arriving at the market value of the valuation target.

Definition of valuation approach:

Replacement cost approach:

Under the replacement cost approach, the net appraised value of a building is obtained by calculating the full replacement cost of the building based on the information about the construction project and completion settlement and the workload on the building in accordance with the local prevailing standard charge, construction levies and lending interest rates, and by determining the residual ratio based on the useful life of, and the field survey on, the building. The formula for the replacement cost approach is as follows:

Net appraised value of buildings = Full replacement cost × residual ratio

Replacement value comprises construction and installation cost, upfront fees and other expenses, and capital cost.

(i) Determination of construction and installation cost

For projects with budgetary estimates, budget and final accounts information, the budget and final accounts reconciliation method was adopted. Accordingly, the appraisal personnel derived the estimated construction and installation cost based on the workload in the budget and final accounts by applying the standard construction and installation charges and information about local project costs. For projects without budgetary estimates, budget and final accounts information, the re-budgeting method is adopted. The appraisal personnel derived the estimated construction and installation cost by calculating the workload based on the drawings and current status of the physical building and applying the standard construction and installation charges and information about local project costs. For general construction projects, the appraisal personnel derived the construction and installation costs of the subject building with reference to the cost of the same type of construction and installation works, as modified by differences in project cost, such as area, pillar distance, floor-to-floor height, span, decoration standard and water and heating facilities.

(ii) Upfront fees and other expenses

Upfront fees and other expenses were determined based on the pricing standards promulgated by the relevant authorities, which were in force as at the reference date of valuation. The details are set out in the table below:

No.	Upfront fees and other expenses	Basis of pricing	Fee base	Rate
1	District infrastructure facilities fee	Current status and apportionment of the facilities fee	Project cost	
2	Management fee of construction unit	Cai Jian [2002] No. 394	Project cost	
3	Project supervision fee	Fa Gai Jia Ge [2007] No. 670	Project cost	Fixed amount depending on different grades
4	Survey and design fee	Ji Jia Ge [2002] No. 10	Project cost	
5	Tender agency service fee	Ji Jia Ge [2002] No. 1980	Project cost	
6	Project insurance fee	Insurance market survey	Project cost	

(iii) Capital cost

Capital cost refers to the financing costs incurred from capital investment in project construction during the construction period. The reasonable capital cost of a building was determined based on a reasonable construction period, the lending interest rate for the corresponding construction period imposed by the bank on the reference date of valuation, the one-off upfront fees at the beginning of the construction period and the even contribution of the construction and installation cost and the other expenses, at compound interest.

Formula:

Capital costs = Upfront × [(1+ Interest rate)$^{\text{construction period}}$ – 1] +(Construction and installation cost + Other expenses)× [(1 + Interest rate)$^{\text{construction period/2}}$ – 1]

(iv) Full replacement cost

Full replacement cost = Construction and installation cost + Upfront fees and other expenses + Capital cost

(v) Residual ratio

According to our field survey, the valuation target was under normal maintenance condition, and was free from damages caused by abnormal uses and functional depreciation. No major repair had been carried out on the valuation target. Therefore, we directly used the theoretical residual ratio to determine the residual ratio of the valuation target.

Definition of theoretical residual ratio:

Theoretical residual ratio = (Economic useful life – Serviced life)/Economic useful life ×100%

(vi) Appraised value

Appraised value = Full replacement cost × Consolidated residual ratio

3. ***Valuation of machinery and equipment***

We mainly used the replacement cost approach to conduct the valuation in accordance with the purpose of this valuation on a going concern basis with reference to market prices, characteristics of the relevant equipment and the data collected.

Appraised value = Full replacement cost × Consolidated residual ratio

(i) Determination of full replacement cost

① Full replacement cost of machinery and equipment

The full replacement cost of equipment is determined based on the purchase price of the equipment after deducting various expenses required for the equipment to reach the normal use condition, including purchase price, transportation and sundry expenses, basic expense, installation and testing fee, upfront fees and other expenses and capital cost:

Full replacement cost = Purchase price + Transportation and sundry expenses + Basic expense + Installation and testing fee + Upfront fees and other expenses + Capital cost

Where:

1) Purchase price

It is determined mainly through price enquiry with manufacturers with reference to price quotes from various channels, such as the Quotation Manual for Mechanical and Electrical Products for 2016 and the internet, as well as recent contract prices for the same type of equipment.

2) Transportation and sundry expenses

It is calculated according to the Manual for General Data and Parameters of Asset Valuation based on the rates of transportation and sundry expenses of various equipment and locations.

Transportation and sundry expenses = Equipment purchase price × Rate of transportation and sundry expenses

3) Basic expense

It is calculated based on the characteristics of the equipment and purchase price at different installation rates with reference to the installation requirements of the relevant equipment and the Manual for General Data and Parameters of Asset Valuation.

The basic expense for this valuation was not calculated as it had been included in the real estates.

4) Installation and testing fee

It is calculated based on the equipment purchase price of the universal equipment at different installation rates depending on the characteristics, weight and complexity of installation of the equipment:

Installation and testing fee = Equipment purchase price × Rate of installation and testing fee

5) Upfront fees and other expenses

Upfront fees and other expenses include management fees, expenses for feasibility report and valuation, design fees and project supervision fees, etc. It is calculated with reference to the standard of "other construction expenses" of the location in which the equipment situates and the characteristics of the equipment. It is a sum of the equipment purchase price, transportation and sundry expenses, basic expense and installation and testing fee.

Upfront fees and other expenses = (Equipment purchase price + Transportation and sundry expenses + Basic expense + Installation and testing fee)× Rate of upfront fees and other expenses

6) Capital cost is calculated with reference to the lending interest rate prevailing on the reference date of valuation by taking into account the even contribution of capital over a reasonable construction period:

Capital cost = (Equipment purchase price + Transportation and sundry expenses + Basic expense + Installation and testing fee + Upfront fees and other expenses)× Lending interest rate × Construction period ×1/2

Since all the machinery and equipment purchased by the company were universal equipment and the purchase cycle was short, such cost was not calculated for this valuation.

② Full replacement cost of electronic equipment

For equipment with the same model available for sale on the market, it is deemed to be purchased in the same city. The merchants covers the transportation and drop-in installation and testing for the products purchased. As there is usually no expense other than the purchase price, the purchase price is deemed as the full replacement price.

The market price of electronic equipment on the reference date of valuation was determined with reference to market information and recent local market prices:

Full replacement cost = Purchase price of electronic equipment

(ii) Determination of consolidated residual ratio

1) Consolidated residual ratio of machinery and equipment

The theoretical residual ratio N1 and on-site surveyed residual ratio N2 are calculated separately and the consolidated residual ratio N is determined by adopting the weighted average method, that is: Consolidated residual ratio N = N1 x 0.4+ N2 x 0.6

Where,

Theoretical residual ratio N1:

The residual ratio is obtained by calculating the serviced life of different types of equipment based on their economic useful life and by determining the remaining useful life which goes beyond the economic useful life through on-site survey with reference to the major repair cycle of the equipment:

Theoretical residual ratio: N1 = remaining useful life /(serviced life+ remaining useful life)×100%

On-site surveyed residual ratio N2:

The on-site surveyed residual ratio is determined by surveying and grading each component of the equipment through an on-site survey of the existing conditions of the equipment and inspection of the relevant operation, repair and management files and information.

2) Consolidated residual ratio of electronic equipment

The consolidated residual ratio is determined by using the service life method based on the time of use and the maintenance condition.

Consolidated residual ratio = Remaining useful life ÷(Serviced life+ Remaining useful life)×100%

(iii) Determination of appraised value

Appraised value = Full replacement cost × Consolidated residual ratio

4. Intangible assets – Valuation of land use rights

Pursuant to the Regulations for Valuation of Urban Land, the current prevailing land valuation methods include market comparison method, income capitalization method, residue method (assumed development method), cost approximation method, and benchmark land premium coefficient correction method.

Pursuant to the Regulations for Valuation of Urban Land, specific conditions and land use nature of the subject land parcel, and the purpose of valuation, we selected the valuation approach by taking into consideration the information collected by the valuer and the development of the local real property market.

Since we cannot confirm the transfer prices of similar transactions with the subject land parcel, the market comparison method is not applicable. As the subject land parcel is a developed industrial land, the residue method is not suitable. Due to the difficulty in estimating the land revenue of the company separately and ascertaining the objective net revenue of the land, the income method is not applicable. Since the subject land parcel is not covered by local benchmark land premium, the benchmark land premium coefficient correction method cannot be used for valuation.

Since there are recent land requisition cases (or urban demolition, relocation and compensation cases) for reference in the area where the subject land parcel is situated, and we are familiar with the relevant local policies, taxes and levies on land requisition and compensation, the cost approximation method can be used for valuation.

In view of the above, the cost approximation method was used for this valuation.

By cost approximation method, the subject land parcel is valued by using the sum of various expenses consumed for the development of the land plus a certain amount of profit, interest, tax payables and land appreciation gains. The basic formula is set out below:

$$V = Ea + Ed + T + R1 + R2 + R3 = VE + R3$$

Where, V — Land price;
Ea — Land acquisition fee;
Ed — Land development fee;
T — Tax charge;
R1 — Interest;
R2 — Profit;
R3 — Land appreciation;
VE — Land cost.

5. Valuation of liabilities

Liabilities include account payables, remuneration payable to employees, tax payables and long-term borrowings, etc. The appraisal personnel verified the carrying amounts of the liabilities based on the breakdown of each item and the relevant financial information provided by the company, in order to determine the appraised value of the liabilities actually undertaken by the company.

(III) Valuation model of the income approach

1. Introduction

Pursuant to the Asset Valuation Standards – Enterprise Value, the discounted cash flow method (DCF) was adopted to evaluate the entire equity interests based on the sources of revenue.

The discounted cash flow method (DCF) is used to estimate the enterprise value by discounting the future expected cash flow of the enterprise to the present value. In other words, the enterprise value is derived by estimating the future expected cash flow of the company and applying an appropriate discount rate to discount the expected cash flow to the present value. The basic conditions for applying this method are: the company has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between the operation and income; and the future income and risk can be forecasted and quantified. The keys to the discounted cash flow method are the projection of the future expected cash flow, and the objectiveness and reliability of the collection and processing of data. If the forecast of future expected cash flow is objective and fair and the discount rate selected is reasonable, the valuation findings will be more objective and easily acceptable by the market.

2. *Basic valuation idea*

According to the due diligence results of this valuation and the asset composition and characteristics of principal operations of the company, in this valuation, the entire equity interests (net assets) were appraised based on the historical financial statements of the company. That is, the discounted cash flow method (DCF) was adopted first depending on the source of income to estimate the value of the operational assets of the company. Then, the overall enterprise value is derived by adding the value of long-term equity investment and the values of other non-operational surplus assets on the reference date. The value of interest-bearing debts is then deducted from the overall enterprise value to arrive at the value of the entire equity interests (net assets) in the company.

3. *Valuation model*

(1) *Basic model*

The basic model for this valuation is set out as below:

$E = B - D$

E: Value of the entire equity interests (net assets) in the valuation target
B: Enterprise value of the valuation target

$$B = P + \sum C_i + Q$$

P: Value of the operational assets of the valuation target

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n}$$

Where,

Ri: Expected income in year i in the future. Free cash flow of the company was used as the source of income for this valuation.
Rn: Perpetual equal expected income for year n and beyond in the future
r: Discount rate
n: Future projected income period
ΣCi: Value of surplus assets (liabilities) of the valuation target on the reference date

$$\sum C_i = C_1 + C_2$$

C1: Value of surplus cash assets (liabilities) of the valuation target on the reference date
C2: Value of surplus or non-operational assets (liabilities) of the valuation target on the reference date
Q: Value of long-term equity investment of the valuation target
D: Value of interest-bearing liabilities of the valuation target

(2) Income indicators

The free cash flow of the company was used as an income indicator of the operational assets for this valuation. The basic definition is:

R = Net profit before interest after taxes + Interest expense + Depreciation and amortization – Capital expenditure – Net changes in working capital

(3) Forecast period

Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) is under normal operation and there will not be any factor that will affect its operation as a going concern in the foreseeable future. Therefore, a perpetual income period is adopted for this valuation.

(4) Discount rate

Discount rate is the rate used to discount the finite expected income in the future to the present value. It represents the yield under certain conditions and describes the level of yield derived from the asset. The free cash flow of the company was selected as the source of income for this valuation. The corresponding discount rate should be the weighted average return of investment. The commonly used WACC model was adopted to actually determine the discount rate, which was reconfirmed by comparing and analysing the real situation of the appraised entity and the corresponding indicators.

The specific formula is set out below:

$$WACC = Ke \times E/(E+D) + Kd \times D/(E+D)$$

$$Ke = Rf + \beta \times (Rm-Rf) + Rc$$

Where, Ke: Cost of equity capital
Kd: Cost of after-tax debts
Rf: Risk-free rate of return
Rm-Rf: Market risk premium
Rc: Individual adjustment coefficient
β: Risk coefficient of the appraised entity
E: Market value of equity capital
D: Market value of interest-bearing debts

VIII. IMPLEMENTATION PROCESS AND SITUATION OF THE VALUATION PROCEDURES

Pursuant to the relevant national asset valuation requirements and the requirements of the asset valuation standards, our valuation procedures mainly included acceptance of engagement, on-site investigation, information collection and analysis, estimation appraisal, valuation summary and report compilation, etc. The implementation process and situation of the valuation procedures are set out as follows:

(I) Identification of the basic matters of the appraised business and signing of the engagement letter

The relevant officers of the company introduced to us the situation of the company and the history and current status of the subject asset. We conducted preliminary due diligence, meetings, investigation and researches to understand the accounting system, account establishment and basic accounting method of the title owner, and the purpose, specific target and scope of valuation. After identifying the basic matters of the appraised business, we were introduced by the instructing parties to the range and type of the appraised assets, purpose of valuation and timing requirement. We also paid a site visit to gain an initial understanding of the status of the subject assets. On this basis, according to the purpose of valuation and the possible completion date, we determined the reference date of valuation with the instructing parties and entered into the "Asset Valuation Engagement Letter".

(II) Preparation of valuation plan

We accepted the engagement, determined the chief coordinator and person-in-charge of the project, and established a project team by selecting appraisal personnel with the relevant professions. According to the "Asset Valuation Engagement Letter" and the specific situation of the project, we devised a preliminary valuation plan, covering the technical solutions proposed to be adopted for each type of assets, and the staffing, timing and progress arrangements. Meanwhile, based on the needs of our valuation work, we asked the title owner to complete the preparation work for asset valuation, including verifying the asset inspection, filling in the asset valuation declaration breakdown for each type of asset and preparing various economic and technical information related to the valuation.

(III) On-site investigation and data collection for valuation

1. *Asset inspection*

(i) Organisation of inspection work

The appraisal personnel arrived at the site and conducted an on-site inspection on the subject assets.

Depending on the type of subject assets reported by the company, the appraisal personnel carried out a thorough on-site inspection on the relevant assets separately according to the relevant requirements. After the completion of the inspection, we submitted the results of the inspection verification and on-site survey operation.

(ii) Key inspection procedures

① Relevant officers of the company were guided to carry out an asset inspection and collection first, and then prepare the information to be provided to the valuer

Before the appraisal personnel arrived at the site, on the basis of self-asset inspection, we guided the relevant accounting and asset management officer of the company on phone to fill in the "Valuation Investigation Form" provided by the valuer and the list of assets carefully and accurately by following the instructions printed thereon, so that we could gather the ownership documents and any documents and information that could reflect the performance, conditions as well as economic and technical indicators.

② Preliminary review of the asset valuation breakdown provided by title owner

The appraisal personnel gained an understanding of the details of the specific target within the scope of valuation by reviewing the relevant information. Then, the appraisal personnel read the asset valuation breakdown of various assets carefully and conduct preliminary valuation to check if there was any incomplete or miswritten item or unclear asset item. After that, the appraisal personnel checked if there was any omission in the asset valuation breakdown based on their own experiences and the relevant information in hand.

③ Field survey

Different survey methods were applied depending on the nature and characteristics of different assets. During the on-site survey, the appraisal personnel performed the inspection and verification process by checking the books and original vouchers, seeking external confirmation and carrying out relevant alternate procedures. The appraisal personnel also acquired an understanding of the internal management and accounting of the inventory of the company.

④ Analysis of the reasonableness of the company's projection based on the relevant requirements and industrial development trends of the state, with reference to the inherent factors, future production and operation and development trend of the company

⑤ Verification of proof of ownership

2. *Collection and analysis of the relevant operational information*

(i) Gathered information about the type of the appraised entity and the shareholding distribution of the valuation target, and the relevant legal documents;

(ii) Gathered information about the historical development, current status and future prospects of the appraised entity;

(iii) Gathered information about the operations and management of the appraised entity, such as its internal management system and management composition;

(iv) Gathered the historical financial information and financial estimates of the appraised entity;

(v) Gathered information about the industry and region in which the appraised entity operates, relevant national policies, future development prospects of the industry and development plan of the appraised entity;

(vi) Gathered information about the market price, market share and technical development trends of the main products of the appraised entity and the advancement of the technologies owned by the company in the industry;

(vii) Gathered price-related information.

(IV) Estimation appraisal

The appraisal personnel conducted estimation appraisal by following the pricing principle established by the project team with reference to the conditions of the assets. They analysed the valuation conclusions and compiled a report and explanations according to the preliminary asset valuation findings.

(V) Preparation and submission of valuation report

(i) Summed up, analysed, adjusted and revised the valuation findings;

(ii) Submitted the valuation findings to the instructing parties for their opinions;

(iii) Further checked and adjusted the valuation findings with reference to the feedback from the instructing parties in a pragmatic manner;

(iv) Compiled the asset valuation report;

(v) Reviewed the report by following the three-tier internal review procedures of our company;

(vi) Revised the valuation report based on the review opinions;

(vii) Issued the official valuation report and submitted it to the instructing parties.

IX. VALUATION ASSUMPTIONS

1. There are no material changes in the relevant existing laws, regulations and policies and macroeconomy of the PRC; there are no material changes in the political, economic and social environment in the region where the appraised entity is located; and there is no material adverse effect caused by other unpredictable and force majeure factors.

2. In view of the actual condition of assets as at the reference date of valuation, we assume that the company operates on a going concern basis.

3. It is assumed that the operators of the company are responsible and the management of the company are capable of performing their duties.

4. Unless otherwise stated, it is assumed that the company has fully complied with all applicable laws and regulations.

5. It is assumed that the accounting policies adopted by the company in the future in all material aspects are in general consistence with the accounting policies adopted in compilation of this report.

6. It is assumed that based on the company's existing management approach and standard, the business scope and approach are consistent with the current direction.

7. There are no material fluctuations in the interest rates, exchange rates, tax bases and tax rates and policy-imposed levies.

8. There are no other force majeure and unforeseeable factors that will cause material adverse impact on the company.

9. The corporate income tax rate of the appraised entity is 25%. The appraised entity is currently entitled to the tax concessions from the western development policy. Since the year of operation, it can enjoy tax exemption for five years, followed by 50% reduction in tax rate for three years. The period from 2017 to 2019 is the 50% tax reduction period, while a 25% income tax rate will be applicable for 2020 and beyond.

10. Pursuant to the requirements of the Notice from Qinghai Development and Reform Commission on the Feed-in Tariff of the Photovoltaic Power Plants Completed and Put into Operation in Qinghai Province in 2011 (Qing Fa Gai Jia Ge [2011] No. 2350) (《青海省發展和改革委員會關於我省2011年建成投產光伏電站上網電價的通知》青發改價格[2011]2350號) and the Notice from Qinghai Development and Reform Commission on Addressing the Conflicts in the Tariff for Green Energy Sources in Qinghai Province (Qing Fa Gai Jia Ge [2014] No. 897) (《青海省發展和改革委員會關於疏導我省環保電價矛盾的通知》青發改價格[2014]897號), ever since the date of commercial operation, the feed-in tariff for a power plant shall be RMB1.15 per kWh (tax inclusive).

11. According to the requirements of the asset valuation, the appraised entity gave undertakings on the expansion of its operational capability in the coming years and on the projection of its revenue and profits. The valuation was conducted on the basis of the projections of the appraised entity. These assumptions were held to be valid as at the reference date of valuation. We will not take any responsibility for deviations in the valuation conclusions deduced from changes in the above assumptions when the future economic environment undergoes any material changes.

12. Users of the report are reminded that the analysis, judgements and conclusions of the valuation report are subject to the assumptions and limitations set out in the report. If there are any changes in the said conditions, the valuation findings will generally lapse.

X. VALUATION CONCLUSIONS

In this valuation, we adopted the asset-based approach and income approach to fairly reflect the market value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) as at 31 December 2016. The results of the asset valuation are as follows:

(I) Asset-based approach

On the premise of going concern, as at 31 December 2016, being the reference date of valuation, the carrying amount of the total assets of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) amounted to RMB317,221,300 and the appraised value of the assets amounted to RMB342,989,100, representing an increase of RMB25,767,800 or 8.12%; the carrying amount of the total liabilities amounted to RMB196,601,800 and the appraised value of the liabilities amounted to RMB196,601,800, representing no changes; the carrying amount of the net assets (entire equity interests) amounted to RMB120,619,500 and the appraised value of the same amounted to RMB146,387,300, representing an increase of RMB25,767,800 or 21.36%. The valuation findings of each type of assets and liabilities are set out in the table below:

Summary of Asset Valuation Findings

Name of appraised entity:
Golmud Solargiga Energy Electric Power Co., Ltd*
(格爾木陽光能源電力有限公司) *Currency and unit: RMB ten thousand*

Item	Carrying amount A	Appraised value B	Increase/ decrease C=B-A	Percentage of increase D=C/A×100%
Current assets	10,068.31	10,068.31	–	–
Non-current assets	21,653.82	24,230.60	2,576.78	11.90
Of which: Available-for-sale financial assets	–	–	–	–
Long-term equity investment	–	–	–	–
Fixed assets	21,653.82	22,028.67	374.85	1.73
Construction in progress	–	–	–	–
Intangible assets	–	2,201.93	2,201.93	–
Research and development expenditure	–	–	–	–
Total assets	31,722.13	34,298.91	2,576.78	8.12
Current liabilities	1,760.18	1,760.18	–	–
Non-current liabilities	17,900.00	17,900.00	–	–
Total liabilities	19,660.18	19,660.18	–	–
Net assets (owner's equity)	12,061.95	14,638.73	2,576.78	21.36

(II) Valuation findings of the income approach: The carrying amount of the net assets of the appraised entity as at 31 December 2016, being the reference date of valuation, amounted to RMB120,619,500. By adopting the income approach, the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) were valued to be RMB155,972,900, representing an increase of RMB35,353,400 or 29%.

(III) Analysis of the difference in valuation findings by adopting two different approaches

There is a difference of RMB9,585,600 in the valuation findings between the asset-based approach and the income approach. The asset-based approach is an indirect valuation of the market value of an asset from the perspective of asset replacement based on the balance sheet of the appraised entity. The income approach is an appraisal of an asset from the perspective of the expected profitability of the asset, which is the fundamental principle of determining the prevailing market value of the asset. Therefore, there are differences between the two approaches.

(IV) Selection of valuation findings

As a photovoltaic power generation company, Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) relies primarily on its important intangible assets, such as management team and customer resources, apart from tangible assets including fixed assets and working capital, to conduct its operations. The asset-based approach only covers the existing assets of a company as appeared on its account, which cannot objectively reflect the value brought to the company by its intangible assets, such as trademarks and goodwill.

In view of the above, after taking into consideration the reasonableness of the different valuation approaches and preliminary valuation conclusions, and the quality and quantity of the data used, the appraisal personnel considered that the valuation findings from the income approach was more reliable and convincing based on the purpose of this valuation and the conditions of the company. Therefore, the valuation findings from the income approach were used as the final valuation conclusions.

In other words, the appraised value of the entire equity interests in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) was RMB155,972,900.

XI. SPECIAL NOTES

The matters discovered during the valuation process that could not be assessed or estimated by the professionalism and capability of the appraisal personnel but might affect the valuation conclusions are set out as follows:

(I) The valuer and its appraisal personnel shall not bear any responsibility for any defects of the company that may affect the appraised value of the assets, which are not pointed out by the company at the time of engagement or issuing the subsequent events and contingent matters and are unknown to the appraisal personnel even after performing the valuation process.

(II) If there are any changes in the pricing standards of the government and the expected income of the asset that affect the valuation conclusions subsequent to the reference date within the validity period, these valuation conclusions shall not be used directly. Instead, an adjustment of the valuation conclusions or a revaluation will be necessary. That means:

1. If there are any changes in the pricing standards of the government, the instructing parties shall adjust the asset value correspondingly by following the original valuation approach.

2. If there are any changes in the expected income which have already significantly affected the appraised price of the asset, the instructing parties shall engage a valuer to conduct a revaluation in a timely manner.

(III) The valuation findings of this report have not taken into consideration the impact of the contingent liabilities of the instructing parties, any special transactions, such as quick realization and taxation shifting, and any possible matured security and change of rights on the value of the valuation target, nor the effect of any changes of the national macroeconomic policies, natural disasters or other force majeure on the value of the valuation target.

(IV) Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) borrowed RMB220 million from China Development Bank, Qinghai branch with a term of 14 years. The borrowing shall expire in May 2027 and the type of borrowing is guarantee. As at the reference date of valuation, the balance of the borrowing amounted to RMB194 million, which was: 1. secured by the full joint liability guarantee provided by Jinzhou Huachang Photovoltaic Technology Co., Ltd., as a guarantor, in the amount of RMB170 million; secured by the full joint liability guarantee provided by Qinghai Tiancheng Credit Guarantee Co., Ltd.* (青海天誠信用擔保有限責任公司), as a guarantor, in the amount of RMB50 million; 2. pledged by Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), as a pledger, with its future fee income from the Solargiga Golmud 20MW grid-connected photovoltaic power project (which can be pledged legally by the said company) and all the revenue therefrom; 3. pledged by Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), as a pledger, with its 49% equity interests in the borrower, Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) (which can be pledged legally by the said company); 4. secured by a charge provided by Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), as a chargor, over the machinery and equipment of the Solargiga Golmud 20MW grid-connected photovoltaic power project (which can be pledged legally by the said company); 5. secured by the unlimited joint liability guarantee provided by TAN Wenhua, the de-facto controller of the borrowing, and his spouse for this project.

(V) The instructing parties and the relevant parties shall be held responsible for the authenticity, legality and completeness of the information provided by them regarding the legal ownership of the valuation target. While the asset valuers shall be responsible for performing necessary verification and disclosure on such information and its sources, they do not provide any guarantee on the ownership of the subject assets. Providing confirmation or opinions over the legal ownership of the valuation target are beyond the scope of practice of an asset valuer.

(VI) The company has not obtained the building ownership certificates of the buildings involved in the valuation.

Other than the above special notes, there are not any other special security, guarantee, litigations and leases that might affect the valuation.

Users of the valuation report should pay attention to the impact of the above special notes on the valuation conclusions.

XII. LIMITATIONS ON THE USE OF VALUATION REPORT

(I) The valuation report may only be used for the purpose of valuation and uses as specified herein.

(II) The valuation report may only be used by the users as specified herein.

(III) This report may only be used by the instructing parties for the purpose of valuation set out herein and for submission to the competent property valuation authority for review. The right of using this valuation report shall be vested in the instructing parties. Without the consent of the asset valuers and the valuer they belong to, the valuation report shall not be extracted, quoted or disclosed to the public media.

(IV) Legal effect of the valuation report

1. After being signed and stamped by the valuer and the asset valuers, this valuation report shall have legal effect in accordance with the relevant requirements of the laws and regulations.

2. This valuation report comprises certain annexes, all of which also constitute an integral part of this report and shall have the same legal effect as the main text of this report.

3. Validity period of the valuation conclusions: Pursuant to the prevailing national requirements, the valuation conclusions of this asset valuation report shall be valid for one year from 31 December 2016, being the reference date of valuation, to 30 December 2017. Revaluation of the assets will be needed after one year.

XIII. DATE OF VALUATION REPORT

The valuation report was issued on 10 March 2017.

XIV. SIGNATURE AND STAMP OF ASSET VALUER, STAMP OF APPRAISED ENTITY AND SIGNATURE OF LEGAL REPRESENTATIVE

Legal representatives of the valuer:

Asset valuer

Asset valuer

Zhong Rui Assets Appraisal Co., Ltd.
10 March 2017

CONTENT OF ANNEXES

1. Business licenses of the instructing parties;

2. Copy of the enterprise business license of Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司);

3. Audit report as at the reference date of valuation;

4. Relevant proof of ownership;

5. Letters of undertaking of the instructing parties and the relevant parties;

6. Letter of undertaking of the asset valuer;

7. Asset valuation qualification certificate of Zhong Rui Assets Appraisal Co., Ltd. (copy);

8. Enterprise business license of Zhong Rui Assets Appraisal Co., Ltd. (copy);

9. Qualification certificates of the signing asset valuers (copy);

10. Asset valuation breakdown.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interest and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and the shares, underlying shares and debentures of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or the shares, underlying shares and debentures of any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	**Nature of interest**	**Number of ordinary shares held** *(Note 1)*	**Approximate percentage of shareholding** *(%)*
Mr. TAN Wenhua (“**Mr. Tan**”)	Beneficial interest *(Note 2)*	556,924,443 (L)	17.34
	Interest of a controlled corporation *(Note 2)*	155,320,308 (L)	4.84
Mr. HSU You Yuan	Beneficial interest	13,861,346 (L)	0.43
	Interest in options *(Note 3)*	239,835 (L)	0.01
	Security interest *(Note 3)*	239,835 (L)	0.01
	Trustee’s interest	7,252,085 (L)	0.23
Mr. WANG Chunwei	Beneficial interest *(Note 4)*	100,500 (L)	Less than 0.01
	Family interest *(Note 4)*	262 (L)	Less than 0.01

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. Mr. Tan is interested in an aggregate of 712,244,751 Shares, of which 556,924,443 Shares are directly held by Mr. Tan and 155,320,308 Shares are held by You Hua Investment Corporation, which is wholly-owned by Mr. Tan.

3. Mr. Hsu You Yuan had security interest in these Shares pursuant to a share charge granted by the relevant employees and consultants to secure their obligations to pay for the purchase price of the Shares and their obligations to comply with the relevant regulatory requirements to which they are subject (if any).

4. Mr. Wang Chunwei is interested in an aggregate of 100,762 Shares, of which 100,500 Shares are directly held by Mr. Wang Chunwei and 262 Shares are held by Mr. Wang Chunwei's spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates has any interests or short positions in any Shares, underlying Shares and debentures of the Company or any shares, underlying shares and debentures of any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

(b) Interest and short positions of substantial Shareholders in Shares, underlying Shares and debentures

As at the Latest Practicable Date, so far as is known to any Directors, the following persons (other than a Director) have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	**Nature of interest**	**Number of ordinary shares held** *(Note 1)*	**Approximate percentage of shareholding** *(%)*
Hiramatsu International Corp.	Beneficial owner	354,261,692 (L)	11.03
Hiramatsu Hiroharu *(Note 2)*	Interest of a controlled corporation	354,261,692 (L)	11.03
Wafer Works Investment Corp. ("**WWIC**")	Beneficial owner	248,759,822 (L)	7.75
Wafer Works Corp. ("**WWX**") *(Note 3)*	Interest of a controlled corporation	248,759,822 (L)	7.75

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Hiramatsu International Corp. is wholly-owned by Hiramatsu Hiroharu as at the Latest Practicable Date. By virtue of the SFO, Hiramatsu Hiroharu is deemed to be interested in the Shares held by Hiramatsu International Corp.

3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, WWIC is wholly-owned by WWX as at the Latest Practicable Date. By virtue of the SFO, WWX is deemed to be interested in the Shares held by WWIC.

Save as disclosed above, the Directors were not aware that there was any person (other than a Director) who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options, in respect of such capital.

3. DIRECTORS' INTERESTS IN POTENTIALLY COMPETING BUSINESS

Mr. Tan, being the executive Director, is interested in other related businesses, particulars of which are set out below:

Mr. Tan held approximately 40% interests in 錦州昌華碳素製品有限公司 (Jinzhou Changhua Carbon Products Company Limited) ("Jinzhou Changhua"). Jinzhou Changhua is engaged in the manufacturing of graphite and graphite related products. The business of Jinzhou Changhua does not compete with that of the Group. Jinzhou Changhua, as a company which manufactures graphite and graphite related products, is not a competitor of the Group because (a) the Group is not engaged in the manufacturing of graphite or any graphite related products; and (b) graphite is not a substitute for polysilicon in the manufacturing of solar products currently produced by the Group.

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, save for the continuing connected transactions and connected transaction as disclosed in the Company's annual report for the year ended 31 December 2016, none of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Company.

Save as disclosed in the Company's annual report for the year ended 31 December 2016 under the heading "Report of Directors – Connected Transactions", none of the Directors has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date of the latest published audited financial statements of the Company.

5. MATERIAL CONTRACTS

The following contracts (not being contract in the ordinary course of business of the Group) have been entered into by members of the Group which are or may be material within the two years immediately preceding the date of this circular:

(a) the land use rights resumption and compensation agreement dated 21 September 2015 entered into between 錦州日鑫硅材料有限公司 (Jinzhou Rixin Silicon Materials Co., Ltd.), a wholly-owned subsidiary of the Company as vendor and 錦州市城市建設投資發展有限公司 (Jinzhou City Urban Building Investment Development Co., Ltd.) ("Urban Building Investment") (as amended and restated by an agreement between the Vendor, Urban Building Investment and 錦州市土地儲備中心 (Jinzhou City Land Reserves Centre) executed on 13 November 2015) in relation to the disposal of the state-owned land use rights in respect of a piece of state-owned land with an approximate area of 62,863 square metres located at the west side of Jinniang Line, Songshan New District, Jinzhou City, Liaoning Province, the PRC (中國遼寧省錦州市松山新區錦娘綫西側) and the factory premises and ancillary structures erected thereon at a cash consideration of RMB182,620,000;

(b) a capital injection agreement dated 12 November 2015 entered into between Jinzhou Jinmao, 茂迪(蘇州)新能源有限公司 (Motech (Suzhou) Renewable Energy Co., Ltd.) ("Motech Suzhou") and 錦州陽光茂迪新能源有限公司 (Jinzhou Yangguang Motech Renewable Energy Co., Ltd.) (the "JV") pursuant to which Jinzhou Jinmao and Motech Suzhou agreed to inject a capital of RMB8.6 million and RMB11.4 million, respectively, into the JV, by way of cash contribution;

(c) an acquisition agreement dated 6 May 2016 entered into between 錦州吉興新材料有限公司 (Jinzhou Jixing New Materials Co., Ltd*), a company established in the PRC with limited liability and a close associate of Mr. Tan Xin (an executive Director) as vendor and 錦州錦懋光伏科技有限公司 (Jinzhou Jinmao Photovoltaic Technology Co., Ltd.*), a subsidiary of the Company, as purchaser in relation to the acquisition of the state-owned land use rights in respect of a piece of state-owned land with an approximate area of 17,638.2 sq. m. located at Xihai Industry Park, Economic & Technical Development Zone, Jinzhou City, Liaoning Province, the PRC (中國遼寧省錦州市開發區西海工業園區) and the factory premises and ancillary structures erected thereon at a cash consideration of RMB8,000,000;

(d) an equity transfer agreement dated 27 July 2016 entered into between Jinzhou Yangguang as purchaser and Alaer Xinyangguang Technology Company Limited* (阿拉爾新陽光科技有限公司) as vendor in relation to the sale and purchase of 20% equity interests in Golmud Solargiga at a cash consideration of RMB21,500,000;

(e) an equity transfer agreement dated 27 July 2016 entered into between Jinzhou Yangguang as purchaser and Yongsheng (Shandong) Energy Company Limited* (永盛(山東)能源有限公司) as vendor in relation to the sale and purchase of 10% equity interests in Golmud Solargiga at a cash consideration of RMB10,750,000;

(f) the guarantee contract dated 17 October 2016 between Jinzhou Yangguang and a financial institution established in the PRC pursuant to which Jinzhou Yangguang agreed to guarantee the performance of Jinzhou Aoke's obligations of up to RMB31,450,000;

(g) the Agreement; and

(h) the Debt Settlement Agreement.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. EXPERTS' QUALIFICATIONS AND CONSENT

Each of the HK Valuer and the PRC Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualifications of each of the experts who has given its opinion or advice which is contained in this circular:

Name	Qualification
LCH (Asia-Pacific) Surveyors Limited	Professional valuers
中瑞國際資產評估(北京)有限公司 (Zhong Rui Assets Appraisal Co., Ltd.)	Professional valuers

9. EXPERTS' INTERESTS

As at the Latest Practicable Date, each of the HK Valuer and the PRC Valuer did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2016, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Yuen Kin Shan, a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

(d) The auditor of the Company is Ernst & Young of 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours on any business days from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of associations of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(c) the annual reports of the Company for the two years ended 31 December 2015 and 2016;

(d) the HK Valuation Report;

(e) the PRC Valuation Report; and

(f) a copy of this circular.

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 757)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Solargiga Energy Holdings Limited (the "Company") will be held at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 28 June 2017 at 4:00 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the audited financial statements and the report of the directors and the report of the auditors of the Company for the year ended 31 December 2016.

2. To re-elect Mr. TAN Wenhua as the executive director of the Company.

3. To re-elect Mr. TAN Xin as the executive director of the Company.

4. To re-elect Dr. WONG Wing Kuen, Albert as the independent non-executive director of the Company.

5. To consider and authorise the board (the "Board") of the directors (the "Directors") of the Company (or, if so delegated by the Board, its remuneration committee) to determine the remuneration of the directors.

6. To consider and approve the renewal of Ernst & Young as auditors and to authorise the Board to determine the remuneration of the auditors.

As Special Business, to consider and, if thought fit, pass with or without each of, the following resolutions numbered 7, 8, 9, 10 and 11 as ordinary resolutions:

7. "**THAT**:

(a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares ("Shares") in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited be and is hereby generally and unconditionally approved;

(b) the aggregate number of Shares which are authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate number of Shares of the Company in issue as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting."

8. "**THAT**:

(a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into Shares, or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors on behalf of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any share option scheme or similar arrangement of the Company for the grant or issue of Shares or rights to acquire Shares; or (iii) the exercise of rights of subscription or conversion under the terms of any warrants issued or to be issued by the Company or any securities which are convertible into Shares; or (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company from time to time, shall not exceed twenty per cent. of the aggregate number of issued Shares of the Company as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to the holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong)."

9. "**THAT** conditional upon the passing of the Resolutions numbered 7 and 8 above, the general mandate granted to the Directors to allot, issue and deal with additional shares in the capital of the Company or securities into Shares, or options, warrants or similar right to subscribe for Shares or such convertible securities pursuant to the Resolution numbered 8 above be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to the Resolution numbered 7 above, provided that such number of Shares shall not exceed ten per cent. of the aggregate number of the issued Shares of the Company as at the date of passing of this Resolution."

10. "**THAT**:

(a) the equity transfer agreement (the "Agreement") dated 31 March 2017 entered into between Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) and Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司) in connection with (i) the acquisition of 63% equity interest in Jinzhou Aoke New Energy Co., Ltd.* (錦州奧克陽光新能源有限公司) (the "Proposed Acquisition") and (ii) the disposal of 100% equity interest in Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) (the "Proposed Disposal") in accordance with the terms of the Agreement, a copy of which is tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the Agreement be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such things and take all other steps which, in their opinion, may be necessary or desirable for the purpose of giving effect to the Agreement, the Proposed Acquisition, the Proposed Disposal and the transactions contemplated thereby."

11. "**THAT**:

(a) the debt settlement agreement (the "Debt Settlement Agreement") dated 31 March 2017 entered into between Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) and Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司) in connection with the settlement of certain indebtedness and liabilities in relation to Jinzhou Aoke New Energy Co., Ltd.* (錦州奧克陽光新能源有限公司) and Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司) in accordance with the terms of the Debt Settlement Agreement, a copy of which is tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the Debt Settlement Agreement be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such things and take all other steps which, in their opinion, may be necessary or desirable for the purpose of giving effect to the Debt Settlement Agreement and the transactions contemplated thereby."

By Order of the Board
Solargiga Energy Holdings Limited
Wang Chunwei
Executive Director

Hong Kong, 5 May 2017

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Room 1402
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from 22 June 2017 to 28 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on 28 June 2017, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–16, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21 June 2017.

2. Every shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

3. In the case of a joint holding, any one of such persons may vote at the AGM, either in person or by proxy; but if more than one joint holders are present at the AGM in person or by proxy, the said person whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

4. To be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the AGM.

5. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 12:00 noon and 3:00 p.m. on Wednesday, 28 June 2017, an announcement will be made in such event to notify the Shareholders of any alternative date for the AGM.

6. The circular of the Company dated 5 May 2017 and the accompanying proxy form have been sent to the shareholders of the Company, and the 2016 Annual Report of the Company has been sent to the shareholders of the Company on 27 April 2017.

As at the date of this notice, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Chunwei, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Ms. Fu Shuangye, Dr. Wong Wing Kuen, Albert and Mr. Zhang Chun.