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Honiton Energy XIL Holdings Limited and Honiton Energy BAV Holdings Limited Notes to the combined financial statements

(Amounts in thousands)

1. Nature of operations, significant concentrations and risks

Nature of operations

Honiton Energy XIL Holdings Limited ("Honiton XIL") and Honiton Energy BAV Holdings Limited ("Honiton BAV"), each of which was incorporated in 2008 in Hong Kong Special Administration Region (the "Hong Kong" or "HK SAR"), through their respective wholly-owned subsidiaries, Honiton Energy (Xilinguole) Co., Ltd. ("Honiton Xilinguole") and Honiton Energy (Baotou) Co., Ltd. ("Honiton Baotou") (collectively referred to hereinafter as the "Combined Entity"), are principally engaged in developing, constructing, owning and operating wind energy projects in the People's Republic of China ("PRC").

As of December 31, 2014, the Combined Entity operates a total capacity of 148.5 megawatts (MW) power output in operation located in Inner Mongolia, PRC, including Bailimiao wind farm Phase I, Bailimiao wind farm Phase II and Xiwu wind farm Phase I.

Revenue concentration

The Combined Entity derives all its revenues from its sole customer, Inner Mongolia Power (Group) Co., Ltd., for the wind power dispatched in Inner Mongolia. The Combined Entity expects revenues from the customer to continue to represent a substantial portion of its revenue in the future. Any factors adversely affecting the wind power industry in the PRC or the business operation of the customer will have a material effect on the Combined Entity's business, financial position and results of operations.

2. Summary of significant accounting policies

a Basis of resenatation

The accompanying combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP").

Honiton XIL and Honiton BAV were under the common control of Honiton Energy Caymans Limited ("HECL") during the years ended December 31, 2013 and 2014. Accordingly, the combined financial statements include the combined results of operations and the combined financial position of 1) Honiton XIL and its wholly owned PRC subsidiary, Honiton Xilinguole and 2) Honiton BAV and its wholly owned PRC subsidiary, Honiton Baotou. For the purpose of the combined statements of shareholder's deficit, the amounts of reported share capital and additional paid-in capital represent the aggregate of the share capital and additional paid-in capital of Honiton XIL and Honiton BAV.

The accompanying combined financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Combined Entity's ability to operate profitably, to generate cash flows from operations, and the Combined Entity's ability to pursue alternative financing arrangements to support its working capital requirements.

During the years ended December 31, 2013 and 2014, the Combined Entity has suffered net loss of US\$4,731 and US\$1,230, respectively. As of December 31, 2014, the Combined Entity had a shareholder's deficit of US\$31,344.

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