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The Combined Entity mainly relies on the cash provided by operating activities, bank loans and advances from related parties to finance its investing activities and working capital requirements. In particular, the amount due to related parties in the amount of US\$180,765 as of December 31, 2014 is due on demand, and US\$41,514 of bank loan will mature in July 2015.

Honiton Energy Caymans Limited ("HECL"), the shareholder of the Combined Entity, has provided a letter of financial support to the Combined Entity including the conversion of the US\$180,765 due to HECL as of December 31, 2014 into the share capital of Honiton Energy (Xilinguole) Co. Ltd. and Honiton Energy (Baotou) Co. Ltd, as necessary.

On May 5, 2015, HECL entered into a share purchase agreement to sell all of its equity interests in Honiton XIL and Honiton BAV to a subsidiary of TerraForm Global, Inc. ("Acquirer"). In connection with the proposed acquisition of the Combined Entity, the Acquirer has provided a letter to HECL stating that the Acquirer will take necessary actions to cause the Combined Entity to make payment when the bank loan matures.

Taking into consideration the commitments of HECL and the Acquirer to provide the Combined Entity the necessary financial support, management believes the Combined Entity will be able to meet its commitments and liabilities when they fall due for a period extending at least one year beyond the date of the financial statements.

b Basis of consolidation

The accompanying combined financial statements include the financial statements of Honiton XIL and its wholly owned subsidiary Honiton Xilinguole, and Honiton BAV and its wholly owned subsidiary Honiton Baotou. All significant intercompany balances and transactions have been eliminated in preparing the combined financial statements.

c Use of estimates

The preparation of the combined financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment and land use rights, the collectibility of accounts receivable, the realizability of deferred income tax assets, the recoverability of the carrying amounts of property, plant and equipment and land use rights, the accruals for tax uncertainties and other contingencies. The Combined Entity bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

d Foreign currency

The accompanying combined financial statements are presented in the U.S. dollar ("US\$"). The functional currency of Honiton XIL and Honiton BAV is US\$, whereas the functional currency of Honiton Xilinguole and Honiton Baotou is the Renminbi ("RMB").

Transactions denominated in foreign currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in "foreign currency exchange gain (loss), net" in the combined statements of comprehensive loss.

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