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UNITED PHOTOVOLTAICS GROUP LIMITED

聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF A 100MW SOLAR POWER PLANT PROJECT IN THE PRC

THE ACQUISITION

On 30 July 2015, after trading hours, UP (Changzhou), a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Seller, whereby UP (Changzhou) has conditionally agreed, among others, to acquire the entire equity interest in the Target Company from the Seller at the Consideration of RMB200,000,000 (equivalent to approximately HK\$252,000,000) payable in cash by three installments. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Target Company owns and operates a solar power plant project with an aggregate installed capacity of approximately 100 MW located in Hubei Province, the PRC, which has achieved on-grid connection in the second quarter of 2015.

Pursuant to the Electricity Generation Guarantee Agreement entered into between UP (Changzhou) and the Seller on the same date, the Seller agreed to provide a guarantee of feed-in tariff and annual volume of electricity generation of the Target Project for five years.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 30 July 2015, after trading hours, UP (Changzhou), a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Seller, whereby UP (Changzhou) has conditionally agreed, among others, to acquire the entire equity interest in the Target Company, which owns and operates a grid-connected solar power plant project with an aggregate installed capacity of approximately 100 MW located in Hubei Province, the PRC. Pursuant to the Electricity Generation Guarantee Agreement, the Seller agreed to provide a guarantee of feed-in tariff and annual volume of electricity generation of the Target Project for five years.

THE ACQUISITION

The Acquisition Agreement

Date: 30 July 2015

Parties:

Seller: Hubei Qixing Auto-Body Company Limited* (湖北省齊星汽車車身股份有限公司)

Purchaser: UP (Changzhou)

The Seller is a limited company incorporated in the PRC, whose principal business is manufacturing of auto cabs, automotive chassis, specialty vehicles, automotive polymer interiors, automotive molds and precision casting in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Seller and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Equity interest to be acquired

Pursuant to the Acquisition Agreement, subject to the fulfillment of certain conditions therein, UP (Changzhou) has agreed to purchase, and the Seller has agreed to sell, the entire equity interest in the Target Company, which owns and operates a solar power plant project with an aggregate installed capacity of approximately 100 MW located in Hubei Province, the PRC.

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

Consideration

The Consideration for the Acquisition is RMB200,000,000 (equivalent to approximately HK\$252,000,000), which shall be settled by UP (Changzhou) in cash by three installments as follows:

- (a) RMB100,000,000, representing 50% of the Consideration is payable as refundable advance payment within 5 business days after each of the following is satisfied:
 - (i) the entire equity interest of the Target Company having been pledged in favour of UP (Changzhou); and
 - (ii) the Seller, the Target Company and the EPC contractor having entered into agreement(s) in relation to settlement of the outstanding EPC payments;
- (b) RMB80,000,000, representing 40% of the Consideration is payable within 10 business days after all the conditions precedent of the Acquisition Agreement are satisfied; and
- (c) RMB20,000,000, representing 10% of the Consideration is payable within 10 business days after certain post completion obligations of the Seller under the Acquisition Agreement have been duly performed and discharged.

The entire equity interest of the Target Company will be pledged in favour of UP (Changzhou) to secure the performance and observation of the Seller's obligations under the Acquisition Agreement.

The Group will fund the payment of the Consideration by internal resources. The parties estimate that, in relation to the Acquisition, the Consideration, together with the amount of the liabilities of the Target Company to be assumed, will be not more than RMB850,000,000 (equivalent to approximately HK\$1,071,000,000). The liabilities of the Project Company primarily consist of payments relating to EPC contract(s).

The Consideration was arrived at after arm's length negotiations on normal commercial terms by reference to the registered capital of the Target Company and the Group's internal financial analysis of the financial model regarding the Target Company. The Target Project has achieved on-grid connection. The Seller has provided a five-year guarantee on the electricity generation of the Target Project as set out in the section headed "Guarantee on Electricity Generation" below. Having considered the above factors, the Directors are of the view that the Consideration for the Acquisition is fair and reasonable and the terms of the Acquisition are in the interest of the Company and its Shareholders as a whole.

Completion

Completion will take place on the date on which a new business licence showing UP (Changzhou) as the sole registered owner of the Target Company is issued. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Conditions Precedent

The Acquisition is conditional on fulfillment of following conditions precedent:

- (a) the Target Company having been duly established and existing and having obtained all the requisite approvals, licenses and permits concerning its operation and business as set forth in its business license, the registered capital having been paid up in full;
- (b) the Target Company having been the sole legal entity for the initial development, investment, construction and operation of the Target Project, and beneficially owns the assets and rights of the Target Project;
- (c) the Target Company having obtained filing documents and annual construction directives issued by the competent government departments, approval to connect the Target Project to the national grid, entered into grid connection agreement(s) and electricity sale agreement(s) in relation to the Target Project; having completed the construction and on-grid connection of the Target Project and commenced electricity generation and received the electricity income (including feed-in tariff surcharge for renewable energy);
- (d) the Seller having provided UP (Changzhou) with the financial statements of the Target Company, which is complete, true and accurate and the equity interest of the Target Company having evaluated by independent appraisal agent to be engaged by UP (Changzhou) and the Seller, and whose evaluation results having been confirmed by the UP (Changzhou);
- (e) the conducting of on-site due diligence inspection of the Target Company and Target Project by the intermediaries designated by UP (Changzhou) and the due diligence reports (including, but not limited to, legal, technical and financial due diligence reports) issued by such intermediaries contains no material adverse opinion, or, if issues are identified in such report, the parties having reached supplementary agreements that would meet the requirements of UP (Changzhou) and/or having reached mutual consent as to the resolving of such issues;
- (f) the EPC contractor having provided guarantee(s) for the design, equipment, engineering, installation, testing, operation and engineering quality of the Target Project and the Seller having procured the entering into a supplemental agreement to the EPC contract to the satisfaction of UP (Changzhou);

- (g) the EPC contractor of the Target Project and/or the Seller having provided guarantee(s) for the efficiency and volume of electricity generated by the Target Project in the manner recognized by UP (Changzhou) and entered into a guarantee agreement containing a guarantee period of five years;
- (h) the Seller having entered into cooperation documents with UP (Changzhou) and/or the Target Company in relation to joint operation and maintenance of the Target Project;
- (i) each of the parties to the Acquisition Agreement having obtained their respective internal approvals for the transfer of equity interest in the Target Company;
- (j) the Seller having paid up the registered capital of the Target Company in the amount of RMB200,000,000 or the adjusted amount as required by UP (Changzhou); and
- (k) the Target Project having satisfied the requirement of the financing institution(s) for the purpose of providing financing.

Guarantee on Electricity Generation

Pursuant to the Electricity Generation Guarantee Agreement entered into between UP (Changzhou) and the Seller on the same date, the Seller guarantees and warrants to UP (Changzhou) that (i) the Target Project shall have secured a feed-in tariff of RMB1 per KWh; and (ii) for a term of five years starting from 1 August 2015 and expiring on 31 July 2020, the Target Project should meet the guaranteed annual volume of grid-connected electricity generation as set out in the table below:

Year	1st year	2nd year	3rd year	4th year	5th year
Guaranteed electricity generation (10,000 KWh)	12,000	11,700.5	11,612.4	11,524.8	11,437.2

The Seller will pay any shortfall to UP (Changzhou) if (a) the actual annual volume of electricity generation of the Target Project fails to meet the guaranteed annual volume of electricity generation; or (b) the actual feed-in tariff is below the guaranteed feed-in tariff of RMB1 per KWh. The Seller will deliver or procure to be delivered, within 5 business days after Completion, an irrevocable bank guarantee in favour of UP (Changzhou) to secure the performance of the Electricity Generation Guarantee Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in the PRC in April 2014, and principally engaged in developing and operating solar power plants in the PRC. The Target Company owns and operates a solar power plant project with aggregate installed capacity of approximately 100 MW located in Hubei Province, the PRC. The solar power plant has achieved on-grid connection in the second quarter of 2015.

Based on the unaudited management accounts of the Target Company, for the period from the date of establishment of the Target Company (i.e. April 2014) to 30 June 2015, the unaudited revenue and profit of the Target Company before and after taxation and extraordinary items was approximately RMB12 million, RMB12 million and RMB12 million, respectively.

Based on the unaudited management accounts of the Target Company, further financial information of the Target Company is set out below:–

	As at 30 June 2015 <i>RMB (million)</i> unaudited
Total assets	502
Total liabilities	290
Net assets	212

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the development, investment, operation and management of solar power plants.

It is the Group's strategy to identify suitable investment opportunities to acquire solar power plants with good prospects and potential for stable returns. Having taken into consideration of the fact that the solar power plant owned by the Target Company has successfully achieved on-grid connection, the Directors are of the view that the Acquisition will enable the Group to further expand its scale of business in the solar energy sector and enhance return to the Shareholders.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Completion of the Acquisition is subject to the fulfillment of a number of conditions precedent under the Acquisition Agreement, the transactions contemplated thereunder may or may not proceed. Therefore, Shareholders of the Company and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Acquisition”	the acquisition of the entire equity interest of the Target Company by UP (Changzhou) from the Seller
“Acquisition Agreement”	the agreement dated 30 July 2015 entered into between UP (Changzhou) and the Seller in relation to the Acquisition
“Board”	the board of Directors
“Company”	United Photovoltaics Group Limited (聯合光伏集團有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the entire equity interest in the Target Company in accordance with the terms and conditions of the Acquisition Agreement
“Consideration”	the consideration of RMB200,000,000 (equivalent to approximately HK\$252,000,000) in cash for the sale and purchase of the entire equity interest in the Target Company
“Directors”	the directors of the Company
“Electricity Generation Guarantee Agreement”	the electricity generation guarantee agreement dated 30 July 2015 entered into between UP (Changzhou) and the Seller in relation to the guarantee of feed-in tariff and annual volume of electricity generation of the Target Project for a period of five years by the Seller

“EPC”	Engineering, Procurement and Construction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KWh”	kilowatt hour, which equals 1,000 watt hour
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatt, which equals to 1,000,000 watt
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Hubei Qixing Auto-Body Company Limited* (湖北省齊星汽車車身股份有限公司), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hubei Jingtai Photovoltaics Power Company Limited* (湖北晶泰光伏電力有限公司), a company established in the PRC with limited liability and is wholly owned by the Seller
“Target Project”	a concentrated and on-grid connected solar power plant of the Target Company which is located in Hubei Province, the PRC, with an aggregate installed capacity of approximately 100MW

“UP (Changzhou)”

United Photovoltaics (Changzhou) Investment Co., Ltd.* (聯合光伏(常州)投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%”

per cent.

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 30 July 2015

In this announcement, the conversion of Renminbi into Hong Kong dollars has been made at a rate of RMB1 to HK\$1.26. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer) and Mr. Lu Zhenwei; the non-executive directors of the Company are Academician Yao Jiannian, Mr. Yang Baiqian and Ms. Qiu Ping, Maggie; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.

* for identification purpose only