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 THE PROPOSED ACQUISITION OF A COMPANY OWNING CERTAIN SOLAR POWER PLANT PROJECTS

THE SALE AND PURCHASE AGREEMENT

On 16 January 2015, UP (Changzhou) and ZNSHINE SOLAR entered into the Sale and Purchase Agreement in relation to the conditional sale and purchase of 90.9% equity interest in the Target Company for a Consideration of RMB136.35 million (equivalent to approximately HK$171.8 million) to be paid in cash.

THE ELECTRICITY GENERATION GUARANTEE AGREEMENT

On the same date, UP (Changzhou) and ZNSHINE SOLAR entered into the Electricity Generation Guarantee Agreement in relation to the guarantees of feed-in tariff and electricity generation volume of Target Project Phase I by ZNSHINE SOLAR.

THE ENGAGEMENT AGREEMENT

On the same date, Target Company, ZNSHINE SOLAR and UP (Changzhou) entered into the Engagement Agreement in relation to (i) the Initial Preparation Phase for the development and construction of the Target Project Phase II and (ii) the proposed engagement of ZNSHINE SOLAR as the EPC contractor to provide EPC services for the development and construction of the Target Project Phase II.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 5% but less than 25%, the transaction contemplated under the Sale and Purchase 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 Proposed Acquisition is subject to the fulfillment of a number of conditions precedent under the Sale and Purchase Agreement, Electricity Generation Guarantee Agreement and Engagement 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.

On 16 January 2015, UP (Changzhou) and ZNSHINE SOLAR entered into the Sale and Purchase Agreement in relation to the sale and purchase of 90.9% equity interest in the Target Company. On the same date, UP (Changzhou) and ZNSHINE SOLAR entered into the Electricity Generation Guarantee Agreement in relation to the guarantees of feed-in tariff and electricity generation volume of Target Project Phase I by ZNSHINE SOLAR. In addition, Target Company, ZNSHINE SOLAR and UP (Changzhou) entered into the Engagement Agreement in relation to (i) the Initial Preparation Phase for the development and construction of the Target Project Phase II and (ii) the proposed engagement of ZNSHINE SOLAR as the EPC contractor to provide EPC services for the development and construction of the Target Project Phase II. Details of each of the Sale and Purchase Agreement, the Electricity Generation Guarantee Agreement and the Engagement Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date: 16 January 2015

Parties: (i) UP (Changzhou), as the purchaser
(ii) ZNSHINE SOLAR, as the vendor

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, ZNSHINE SOLAR and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Acquisition of equity interest

Pursuant to the Sale and Purchase Agreement, subject to the fulfillment of certain conditions precedent therein, ZNSHINE SOLAR has conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase 90.9% equity interest in the Target Company for a Consideration of RMB136.35 million (equivalent to approximately HK$171.8 million) to be paid in cash utilizing the internal financial resources of the Company.

Upon completion of the Proposed Acquisition, the Target Company will become a non-wholly owned subsidiary of the Group and the operation of which will be managed by UP (Changzhou). The remaining 9.1% equity interest in the Target Company will be owned by ZHSHINE SOLAR. The shareholding structure upon completion would be summarized as below:

Name of Shareholders	Percentage equity interest in Target Company before Completion	Percentage equity interest in Target Company after Completion
UP (Changzhou)	0%	90.9%
ZNSHINE SOLAR	100%	9.1%

Conditions precedent

The completion of the Proposed Acquisition is conditional upon the fulfillment of certain conditions precedent, including, among others:

(i) the Target Company being duly incorporated and having obtained all necessary licences, permits and approvals that are required for its operation and business;

(ii) the Target Company being the sole legal entity to have invested in the construction and operations of the Target Projects and being the sole owner of all the rights thereto;

(iii) the Target Company having obtained all approvals and made all registrations and filings with governmental authorities relating to the Target Projects, and having signed the relevant on-grid connection agreement and electricity sales agreement;

(iv) the Target Company having entered into a supplemental agreement to the EPC agreement and quality assurance agreement with the EPC contractor in relation to the Target Projects;

(v) the Target Company having entered into an electricity generation guarantee agreement with the EPC contractor and/or ZNSHINE SOLAR;

(vi) ZNSHINE SOLAR having provided UP (Changzhou) with the financial statements of the Target Company, which is complete, true and accurate and is confirmed by auditors to be engaged by UP (Changzhou) and ZNSHINE SOLAR;

(vii) the due diligence investigation of the Target Company having been satisfying to UP (Changzhou) and no unrectified material adverse changes remain outstanding; and

(viii) ZNSHINE SOLAR having increased and paid up the registered capital of the Target Company up to an amount of RMB150 million.

Consideration

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 Consideration shall be settled by UP (Changzhou) in cash in installments upon satisfaction of the conditions precedent and in accordance with the pace of capital injection by ZNSHINE SOLAR into the Target Company as follows:

(1) partial payment of the Consideration in the amount of RMB30 million (equivalent to approximately HK$37.8 million) within 5 business days of ZNSHINE SOLAR increasing the paid-up registered capital of the Target Company to an amount of RMB30 million;

(2) partial payment of the Consideration in the amount of RMB38.175 million (equivalent to approximately HK$48.1 million) within 5 business days of ZNSHINE SOLAR increasing the paid-up registered capital of the Target Company to an amount of RMB75 million; and

(3) final payment of the outstanding Consideration in the amount of RMB68.175 million (equivalent to approximately HK$85.9 million) within 5 business days of ZNSHINE SOLAR increasing the paid-up registered capital of the Target Company to an amount of RMB150 million.

Further Increase in Registered Capital of the Target Company

After Completion, the parties agree to further increase the registered capital of the Target Company up to an amount of RMB196.90 million and shall contribute to such increase in the proportion of their equity interest in the Target Company. Accordingly, UP (Changzhou) will have a further capital commitment in the amount of RMB42.6 million (equivalent to approximately HK$53.7 million) after Completion to increase the registered capital of the Target Company.

THE ELECTRICITY GENERATION GUARANTEE AGREEMENT

Date: 16 January 2015

Parties: (i) UP (Changzhou), as the guarantee
(ii) ZNSHINE SOLAR, as the guarantor

Subject matter of the Electricity Generation Guarantee Agreement

ZNSHINE SOLAR guarantees and warrants to UP (Changzhou) that (i) the Target Project Phase I shall have secured a feed-in tariff of RMB0.95 per KWh; and (ii) for a term of eight years from the date of Completion, the Target Project Phase I should meet the guaranteed annual volume of grid-connected electricity generation as set out in the table below:

Year	2015	2016	2017	2018	2019	2020	2021	2022
guaranteed electricity generation (10KWh)	2952.25	2893.21	2870.77	2848.63	2826.49	2804.64	2774.53	2744.71
target electricity generation (10KWh)	3247.28	3182.34	3157.66	3133.30	3108.95	3084.92	3051.80	3019.00

The remaining 9.1% equity interest in the Target Company owned by ZHSHINE SOLAR will be pledged to UP (Changzhou) as security for the efficiency and electricity generation volume under the Electricity Generation Guarantee Agreement.

In the event that the feed-in tariff and electricity generation volume in any year fall short of the guaranteed annual volume as specified above, ZNSHINE SOLAR shall compensate UP (Changzhou) any shortfalls in the following manner:

(i) by deducting its share of profit from the Target Project Phase I;

(ii) if its share of profit could not cover the shortfalls, by payment in cash on 31 January of that subsequent year; or

(iii) if ZNSHINE SOLAR fails to comply with (i) and/or (ii) above, UP (Changzhou) may recover the shortfalls by realising the 9.1% equity interest in the Target Company pledged by ZNSHINE SOLAR to UP (Changzhou).

In the event that the electricity generation volume exceeds the guaranteed annual volume in any year, the parties will distribute the resulting surplus in proportion to their respective shareholdings in the Target Company.

THE ENGAGEMENT AGREEMENT

Date: 16 January 2015

Parties: (i) Target Company
(ii) ZNSHINE SOLAR
(iii) UP (Changzhou)

Pursuant to the Engagement Agreement, ZNSHINE SOLAR shall be responsible for, among other things, the Initial Preparation Phase for the development and construction of the Target Project Phase II. This includes, among other things, the timely notification and obtaining of certain construction directives with the Xinjiang Uygur Autonomous Region Development and Reform Commission relating to the development and construction of the Target Project Phase II.

Upon completion or satisfaction of the Initial Preparation Phase, the parties may enter into an EPC agreement to appoint ZNSHINE SOLAR as the EPC contractor to provide EPC services for the development and construction of the Target Project Phase II at the EPC Consideration.

In the event that the Initial Preparation Phase is not completed or satisfied in accordance with the Engagement Agreement, the Engagement Agreement shall automatically terminate and UP (Changzhou) shall not be responsible for any costs or expenses incurred in connection with the Initial Preparation Phase.

Basis for EPC consideration

If a definitive EPC agreement is subsequently entered into, the Engagement Agreement provides that the EPC consideration shall be determined based on the financial model consistent with the Target Project Phase I and with reference to the granted feed-in tariff, land tax and other governmental policies applicable to the Target Project Phase II, details of which will be specified in the definitive EPC agreement to be entered into.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of China and is currently wholly owned by ZNSHINE SOLAR. As at the date of this announcement, the Target Company owns (i) the Target Project Phase I with an aggregate installed capacity of approximately 20MW which has achieved on-grid connection at the end of 2014 and (ii) the Target Project Phase II with an aggregate designed capacity of approximately 30MW which is to be developed and constructed. The Target Project is located in Minfeng County, Xinjiang, China.

Set out below is a summary of the key financial data of the Target Company based on the its management accounts prepared by the Target Company in accordance with the Accounting System for Business Enterprises in the PRC.

	For the year ended 31 December 2013 *RMB* (Unaudited)	**For the six months ended 30 June 2014** *RMB* (Unaudited)
Assets and liabilities		
Total assets	1,003,368	1,003,776
Total liabilities	0	0
Net assets	1,003,368	1,003,776
Result		
Revenue	0	0
Net Profit (loss) before tax	3,368	408
Net Profit (loss) after tax and extraordinary items	3,368	408

INFORMATION ON THE COMPANY AND UP (CHANGZHOU)

The Company is an investment holding company and engaged in the development, investment, operation and management of the solar power plants through its subsidiaries. UP (Changzhou) is an indirect wholly-owned subsidiary of the Company principally engaged in investment, construction, operation, maintenance and management of solar power plants.

INFORMATION ON ZNSHINE SOLAR

ZNSHINE SOLAR was established in 2006 and is a global leading vertically integrated photovoltaic manufacturer with an integrated annual capacity of approximately 1.1GW, including silicon ingots, wafers, and solar PV cells as well as solar PV modules. ZNSHINE SOLAR sells electricity in China and distributes its solar products worldwide.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity in solar power plants with good prospects and potential for stable returns.

The Group seeks to strengthen its business in solar power plants through the Proposed Acquisition and the cooperation with ZNSHINE SOLAR, which would contribute towards the achieving of its overall aim of expanding its scale of power business in the solar energy sector and enhance the return to the Shareholders. The Directors consider that the terms and conditions of the transactions contemplated in the Sale and Purchase Agreement, Electricity Generation Guarantee Agreement and Engagement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 5% but less than 25%, the transaction contemplated under the Sale and Purchase 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.

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DEFINITIONS

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

"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the PRC
"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 90.9% equity interest in the Target Company in accordance with the terms and conditions of the Sale and Purchase Agreement

"Consideration"	the consideration of RMB136,350,000 (equivalent to approximately HK$171,801,000) in cash for the sale and purchase of the 90.9% equity interest in the Target Company
"Directors"	the directors of the Company
"Electricity Generation Guarantee Agreement"	the Electricity Generation Guarantee Agreement dated 16 January 2015 entered into between UP (Changzhou) and ZNSHINE SOLAR in relation to the guaranteed annual volume of electricity generation of Target Project Phase I
"Engagement Agreement"	the engagement agreement dated 16 January 2015 entered into among the Target Company, ZNSHINE SOLAR and UP (Changzhou) in relation to (i) the Initial Preparation Phase for the development and construction of the Target Project Phase II and (ii) the proposed engagement of ZNSHINE SOLAR as the EPC contractor to provide EPC services for the development and construction of the Target Project Phase II
"EPC"	Engineering, Procurement and Construction
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Initial Preparation Phase"	The initial preparation phase for the development and construction of the Target Project Phase II and includes, among other things, the timely notification and obtaining of certain construction directives with the Xinjiang Uygur Autonomous Region Development and Reform Commission relating to the development and construction of the Target Project Phase II
"KWh"	Kilowatt hour, which equals 1,000 watt hour, unit of energy which refers to the specific amount of energy provided in a 3,600-second time period
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt, which equals 1,000,000 watt

"PRC" or "China"	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
"Proposed Acquisition"	the proposed acquisition of 90.9% equity interest in the Target Company by UP (Changzhou) from the ZNSHINE SOLAR
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 16 January 2015 entered into between UP (Changzhou) and ZNSHINE SOLAR in relation to the sale and purchase of 90.9% equity interest in the Target Company
"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"	Minfeng County Angli Photovoltaic Technology Company Limited* (民豐縣昂立光伏科技有限公司), a company established in the PRC with limited liability, which is owned as to 100% by ZNSHINE SOLAR
"Target Project Phase I"	a ground-based on-grid connected solar power plant of the Target Company which is located at Minfeng County, Xinjiang, China, with an aggregate installed capacity of approximately 20MW
"Target Project Phase II"	a ground-based solar power plant of the Target Company which is located in Minfeng County, Xinjiang Province, China, with an aggregate designed capacity of approximately 30MW
"Target Projects"	Target Project Phase I and Target Project Phase II
"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

"ZNSHINE SOLAR"	ZNSHINE PV-Tech Co. Ltd* (正信光伏有限公司), a company established in the PRC with limited liability and the sole shareholder of the Target Company
"%"	per cent.

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

Hong Kong, 16 January 2015

In this announcement, the conversion of RMB into Hong Kong dollars has been made at a rate of RMB1 to HK$1.26. Such conversion is for reference only and should not be construed as representations that the RMB amount could be converted into Hong Kong dollars at that 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.