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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
FURTHER ACQUISITION OF 50% EQUITY INTEREST
IN A JOINT VENTURE COMPANY**

THE ACQUISITION

On 24 April 2017, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Seller, whereby the Purchaser has agreed to acquire a further equity interest of 50% in the JV Company, which through a wholly-owned Project Company, owns and operates a grid-connected solar power plant with an installed capacity of approximately 200MW located in Ningxia, the PRC at the cash consideration of RMB108,032,935.96.

Prior to the entering into of the Acquisition Agreement, the Purchaser has completed the acquisition of 50% equity interest in the JV Company at the cash consideration of RMB108,032,935.96 pursuant to the terms of the Previous Acquisition Agreement on 28 November 2016, and as a result, each of the Seller and the Purchaser holds 50% of equity interest in the JV Company. The Group's investment in the JV Company has been accounted for as its joint venture. Upon completion of the Acquisition Agreement, the Purchaser will hold 100% equity interest in the JV Company, and the JV Company and the Project Company will become indirect wholly-owned subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As part of the Previous Acquisition, the Seller granted an option to the Purchaser, the exercise of which is at the discretion of the Purchaser, to acquire Seller's remaining 50% equity interest in the JV Company for the consideration of RMB108,032,935.96. No premium was paid by the Purchaser and the acceptance of such option did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As the Acquisition Agreement and the Previous Acquisition Agreement involve the proposed acquisitions of the JV Company from the same seller within a twelve-month period, the Acquisition and the Previous Acquisition are aggregated for the purpose of classification of transactions in accordance with Rule 14.22 of the Listing Rules. As some of the applicable percentage ratios in respect of the Acquisition and the Previous Acquisition are more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreement, when aggregated with the Previous Acquisition, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 April 2017, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Seller, whereby the Purchaser has agreed, among others, to acquire a further equity interest of 50% in the JV Company with a grid-connected solar power plant with an installed capacity of approximately 200MW located in Ningxia, the PRC at the cash consideration of RMB108,032,935.96.

THE ACQUISITION

The Acquisition Agreement

Date: 24 April 2017

Parties: (1) Purchaser
(2) Seller

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), save the investment in the JV Company, are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Equity interest and the plant to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has agreed to purchase, and the Seller has agreed to sell, a further equity interest of 50% in the JV Company.

The JV Company, through a wholly-owned Project Company, owns and operates a grid-connected solar power plant with an installed capacity of approximately 200MW located in Ningxia, the PRC. Further information on the JV Company and the Project Company is set out in the section headed “Information on the JV Company and its subsidiary” below.

Consideration

The consideration is RMB108,032,935.96, which shall be settled by the Purchaser in cash by three installments as follows:

- (a) RMB54,016,467.98 (representing 50% of the consideration) shall be paid within five business days after (i) the Target Interest having been transferred from the Seller to the Purchaser and the AIC Registration having been completed pursuant to the terms of the Acquisition Agreement; and (ii) all necessary governmental consent(s) or confirmation having been obtained for the Target Project;
- (b) after condition (a) above having been fulfilled, a second instalment of RMB32,409,880.79 (representing 30% of the consideration) shall be paid within five business days after acceptance by the Purchaser of performance by the Seller all of its undertakings set out in the Previous Acquisition Agreement in relation to certain outstanding issues of the JV Company and the Target Project;
- (c) after condition (b) above having been fulfilled, a third instalment of RMB21,606,587.19 (representing 20% of the consideration) shall be paid within five business days following the fulfilment of the followings:
 - (i) all the materials required for the application of the latest batch of state subsidy having been prepared by the Seller; and
 - (ii) the testing results on the Target Project conducted by a third party testing organization (TUV) are satisfactory to the Purchaser, and if this is not met, the Project Company having been compensated pursuant to the EPC supplemental contract.

The Group will fund the payment of the consideration payable under the Acquisition Agreement by internal resources.

The consideration was arrived at after arm's length negotiations on normal commercial terms with reference to various factors, including the total costs of construction, financing position and net assets of the JV Company as of 31 December 2016 based on the unaudited management accounts of the JV Company and its subsidiary, the rate of feed-in tariff for the sales of electricity generated by the Target Project, the revenue from the sales of electricity generated by the Target Project and the Group's internal analysis of the financial model. Having considered the above factors and the fact that the Target Project has achieved on-grid connection and it provides steady income from sales of electricity, 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 license reflecting registration of the transfer of 50% equity interest in the JV Company is issued after completion of the AIC Registration. Upon completion of the Acquisition, the Purchaser will hold 100% equity interest in the JV Company, and the JV Company and the Project Company will become indirect wholly-owned subsidiaries of the Company.

THE PREVIOUS ACQUISITION AGREEMENT

Prior to entering into the Acquisition Agreement, the Purchaser and the Seller entered into the Previous Acquisition Agreement, pursuant to which, on 28 November 2016, the Purchaser has completed the acquisition of 50% equity interest in the JV Company from the Seller at the cash consideration of RMB108,032,935.96, which was arrived at after arm's length negotiations on normal commercial terms by reference to a combination of considerations, including solar irradiation condition, grid connection of the Target Project, paid-up registered capital and financial position of the JV Company and the Group's internal analysis of the financial model. The consideration paid under the Previous Acquisition Agreement was funded by internal resources of the Group. As a result of the Previous Acquisition, each of the Seller and the Purchaser holds 50% equity interest of the JV Company and the Group's investment in the JV Company has been accounted for as its joint venture.

As part of the Previous Acquisition, the Seller granted an option to the Purchaser, the exercise of which is at the discretion of the Purchaser, to acquire Seller's remaining 50% equity interest in the JV Company for the consideration of RMB108,032,935.96 within three months from the third anniversary of the completion of the registration of the share transfer under the Previous Acquisition Agreement and the parties subsequently agreed to amend the exercise period and enter into the Acquisition Agreement. No premium was paid by the Purchaser and the acceptance of such option did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Apart from those disclosed herein, the Group has not acquired any other securities or interest in the JV Company in the twelve-month period immediately preceding the date hereof.

INFORMATION ON THE JV COMPANY AND ITS SUBSIDIARY

The JV Company is a limited company incorporated in the PRC on 22 April 2016, and is principally engaged in development, deployment, construction and operation of solar photovoltaic power generation, wind power generation and other new energy.

The Project Company is a limited company incorporated in the PRC on 23 March 2016 and is principally engaged in development, deployment, construction and operation of solar photovoltaic power generation. It is wholly-owned by the JV Company.

Based on the unaudited management accounts of the JV Company and its subsidiary, for the period from the date of establishment of the JV Company (i.e. 22 April 2016) to 31 December 2016, the unaudited revenue was approximately RMB77 million and the profit before and after taxation and extraordinary items was approximately RMB39 million and RMB39 million, respectively. As at the date of this announcement, the Project Company has obtained a long term financing in the amount of RMB1,200 million to settle the outstanding EPC payments of the Target Project.

Based on the unaudited management accounts of the JV Company and its subsidiary, further financial information is set out below:–

	As at 31 December 2016 <i>RMB (million) unaudited</i>
Total assets	1,871
Total liabilities	(1,642)
Net assets	229

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Company is an investment holding company and the Group (including the Purchaser) 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 Target Project has achieved on-grid connection since June 2016, and will bring in operating revenue to the Group, the Directors are of the view that the Acquisition will supplement the Group's existing solar power plant portfolio and further expand its scale of business in the solar energy sector to enhance return to the shareholders.

LISTING RULES IMPLICATIONS

As the Acquisition Agreement and the Previous Acquisition Agreement involve the proposed acquisitions of the JV Company from the same seller within a twelve-month period, the Acquisition and the Previous Acquisition are aggregated for the purpose of classification of transactions in accordance with Rule 14.22 of the Listing Rules. As some of the applicable percentage ratios in respect of the Acquisition and the Previous Acquisition are more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreements, when aggregated with the Previous Acquisition, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the fulfillment of the condition 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 a further equity interest of 50% in the JV Company by the Purchaser from the Seller
“Acquisition Agreement”	the equity transfer agreement dated 24 April 2017 entered into between the Purchaser and the Seller in relation to the Acquisition
“AIC Registration”	registration with administration bureau for industry and commerce for the transfer of the Target Interest in the JV Company
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
“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

“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Tibet China-Automation New Energy Technology Co., Ltd.* (西藏中自新能源技術有限公司), a company established in the PRC with limited liability
“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
“Previous Acquisition”	the acquisition of 50% equity interest in the JV Company by the Purchaser from the Seller
“Previous Acquisition Agreement”	the agreement dated 24 November 2016 entered into between the Purchaser and the Seller in relation to the Previous Acquisition
“Project Company”	Ningxia China-Automation Photovoltaics Co., Ltd.* (寧夏中自太陽能光伏發電有限公司), a company established in the PRC with limited liability and is wholly owned by the JV Company
“Purchaser”	Inner Mongolia Xingbang United New Energy Co., Ltd.* (內蒙古興邦聯合光伏新能源有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Beijing Zhongteng IOT Technology Development Co., Ltd.* (北京中騰物聯科技發展有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Interest”	50% equity interest owned by the Seller in the JV Company
“Target Project”	a grid-connected 200MW solar power plant project located in Ningxia, the PRC owned and operated by the Project Company
“%”	per cent.

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

Hong Kong, 24 April 2017

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer), Mr. Lu Zhenwei, Mr. Li Hong, Ms. Qiu Ping, Maggie and Mr. Jiang Wei; the non-executive directors of the Company are Academician Yao Jiannian, Mr. Tang Wenyong and Mr. Li Hao; 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