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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)

CONTINUING CONNECTED TRANSACTIONS RELATING TO ROOFTOP SOLAR POWER PLANTS FRAMEWORK AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

On 30 November 2016, the Group entered into the following continuing connected transaction agreements with the designated subsidiaries of CMLH, pursuant to the Rooftop Solar Power Plants Framework Agreement:

- (a) the Lease Agreements for the rooftops of warehouses, distribution centers and other logistics network buildings for the installation of rooftop solar power plants by the Group for a term of 20 years; and
- (b) the Power Purchase Agreements for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased under the Lease Agreements for a term of 20 years.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CMLH is an associate of CMNEG and CMNEG is a substantial shareholder of the Company. Each of CMLH and its subsidiaries is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the Lease Agreements, the Power Purchase Agreements and the transactions thereunder constitute continuing connected transactions of the Company.

As all the applicable percentage ratios in respect of the annual caps under the Lease Agreements (on an aggregate basis) for the purpose of Chapter 14A of the Listing Rules is less than 0.1%, accordingly, such transactions are fully exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under the Power Purchase Agreements (on an aggregate basis) is more than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the term of the Lease Agreements and the Power Purchase Agreements are more than 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed an Independent Financial Adviser to explain why the Lease Agreements and the Power Purchase Agreements are required to be of a term exceeding three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the transactions contemplated under the Power Purchase Agreements.

The Board is pleased to announce that the following continuing connected transaction agreements were entered into by the Group.

LEASE AGREEMENTS

Reference is made to the announcement of the Company dated 16 December 2014 and the Rooftop Solar Power Plants Framework Agreement entered into between CMLH and CM Zhangzhou Tenda, a subsidiary of the Company, in relation to the lease of rooftops for the installation of rooftop solar power plants by the Group to meet the business plan of the Group for rooftop solar power plants.

The Group has entered into individual definitive agreements with designated subsidiaries of CMLH consistent with the terms of the Rooftop Solar Power Plants Framework Agreement. Details of the Lease Agreements are set out below:

Lessors	:	Subsidiaries of CMLH
Lessees	:	Subsidiaries of the Company
Date	:	30 November 2016

Transaction	:	The above lessors and lessees entered into the Lease Agreements in relation to the lease of certain rooftops of warehouses, distribution centers and other logistics network buildings built or to be built in Kunming, Ningbo, Nanchang, the PRC and ancillary area used for installation of rooftop solar power plants and ancillary structures by the Group.
Term	:	20 years, commencing from the date of on-grid connection of the rooftop solar power plants to be installed by the Group on the leased rooftops.
Pricing Policy	:	Consistent with the Rooftop Solar Power Plants Framework Agreement, the rent payable for each solar power plant project will be calculated based on the actual area of the roof being leased under the individual Lease Agreement at the agreed rates as follows: (a) an annual rate of RMB1.00 per square meter for the first ten years; (b) an annual rate of RMB1.50 per square meter for the next following five years; and (c) an annual rate of RMB2.00 per square meter for the last five year years. The above rates were determined pursuant to the Rooftop Solar Power Plants Framework Agreement by arm's length commercial negotiations according to the principles of fairness and reasonableness between CMLH and the Group with reference to the then prevailing market rental rates of other similar premises and services, and results of market research in the same industry at the range of RMB2.00 to RMB6.00 per square meter conducted at the relevant time of the Rooftop Solar Power Plants Framework Agreement. In addition, the Group will have to pay the above lessors the costs and expenses for the construction of sub-stations and ancillary structures for solar power plants based on design and plan of the solar power plants to be installed by the Group, by five equal installments in the first five years. The transactions under the Lease Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms and on terms and consideration no less favourable than those obtainable by the Group from independent third parties.
Payment Term	:	All rental payments will be made in cash on a yearly basis from internal financial resources of the Group.

POWER PURCHASE AGREEMENTS

Purchasers	:	Subsidiaries of CMLH
Suppliers	:	Subsidiaries of the Company
Date	:	30 November 2016
Transaction	:	The above purchasers and suppliers entered into the Power Purchase Agreements in relation to the sale of electricity generated by the rooftop solar power plants installed at the rooftops leased under the Lease Agreements and operated by the Group.
Term of Agreement	:	20 years, commencing from the supply of electricity by the Group.
Pricing Policy	:	Having negotiated on an arm's length basis according to the principles of fairness and reasonableness between CMLH and the Group, electricity will be supplied at a unit price which shall be calculated based on the government prescribed price (exclusive of tax) with a discount rate of 14% per kWh having considered the nature of the long term electricity supply agreement, the projected consumption of electricity generated by the rooftop solar power plants installed at the leased rooftops from subsidiaries of CMLH with favourable lease terms to the Group and comparable prices offered to independent consumers by other electricity suppliers with a discount at the range of 15% to 10%. The government prescribed price on the supply of electricity is determined by the price bureau of the relevant provincial government, which is subject to adjustment from time to time. The transactions under the Power Purchase Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms in line with the discount rate offered by other electricity suppliers and on terms and consideration no less favourable than those offered to independent large corporate users.
Payment Term	:	All payments will be settled in cash on a monthly basis.

ANNUAL CAPS

Annual caps for the lease payments payable by the Group under the Lease Agreements

The annual caps for the lease payments by the Group under the Lease Agreements are estimated amounts for the 20 financial years commencing from 1 January 2017 and ending 31 December 2036, details of which are set out below:

Continuing Connected Transactions	For the financial year ending 31 December			
	2017-2021	2022-2026	2027-2031	2032-2036
Lease payments payable by the Group under the Lease Agreements	HK\$400,000	HK\$150,000	HK\$225,000	HK\$300,000

In determining the annual caps for the lease payments payable by the Group under the Lease Agreements, the Board based on information available on (i) the estimated lease payment amounts payable to CMLH at the agreed rates pursuant to the Lease Agreements; (ii) the estimated area required for the installation of the rooftop solar power plants and ancillary structures based on the current design; and (iii) the estimated costs and expenses for the construction of sub-stations and ancillary structures for the solar power plants.

Annual caps for the fees receivable by the Group under the Power Purchase Agreements

The annual caps for the fees receivable by the Group under the Power Purchase Agreements are estimated amounts for the 20 financial years commencing from 1 January 2017 ending 31 December 2036, details of which are set out below:

Continuing Connected Transactions	For the financial year ending 31 December			
	2017-2021	2022-2026	2027-2031	2032-2036
Electricity fees receivable by the Group under the Power Purchase Agreements	HK\$5,000,000	HK\$4,750,000	HK\$4,500,000	HK\$4,300,000

In determining the annual caps for the electricity fees to be received by the Group under the Power Purchase Agreements, the Board based on information available on the (i) designed capacity of the rooftop solar power plants; (ii) the current electricity price under the relevant provincial governments; (iii) estimates of volume of electricity to be generated by the rooftop solar power plants; and (iv) the current development plan of the Group for the rooftop solar power plants at the leased properties from CMLH.

INDEPENDENT FINANCIAL ADVISER'S OPINION

The Company has appointed Goldin Financial as its independent financial adviser and the opinion of the Independent Financial Adviser on the term of the Lease Agreements and the Power Purchase Agreements is as follows:–

- (a) the Group has been leasing lands in the PRC on which the existing solar power plants of the Group are located under relevant land agreements with third parties independent of the Group and the PRC Government for a term of at least 20 years. Taking into account the nature of the transactions contemplated thereunder is similar to that of the Lease Agreements (i.e. involving the lease of buildings and/or land use right in the PRC used for installation of solar power plants and ancillary structures) and the duration of the lease of 20 years under the Lease Agreements is consistent with those transactions, the Independent Financial Adviser is of the view that it is normal business practice for agreements of this type to be of such duration; and
- (b) the term of duration of the Power Purchase Agreements was agreed by CMLH and the Group upon arm's length negotiations according to the principles of fairness and reasonableness, with reference to the economic life of solar power plant of approximately 20 years. Taking into account good quality photovoltaic modules is expected to have a useful life of 25 to 30 years in general and the term of government subsidies on electricity sale rate of grid-connected solar power plants is 20 years, the Independent Financial Adviser is of the view that referencing to the economic life of power plants of approximately 20 years is basically in line with the aforesaid and therefore, it is normal business practice for agreements of this type to be of such duration.

Having considered the principal factors and reasons above, the Independent Financial Adviser is of the opinion that the Lease Agreements and the Power Purchase Agreements are required to be of a term exceeding three years and confirms that it is normal business practice for agreements of this type to be of such duration.

REASONS AND BENEFITS FOR THE TRANSACTIONS

The Group and subsidiaries designated by CMLH entered into the Lease Agreements pursuant to the Rooftop Solar Power Plants Framework Agreement, which provides a stable and reliable resource to the installation of rooftop solar power plants at a favorable rate/price. With the Rooftop Solar Power Plants Framework Agreement in place, the parties have been working closely for the design and construction of the buildings that support or accommodate the installation of rooftop solar power plants, which is an efficient way for the Group to develop rooftop solar power plant projects.

As construction work of the relevant buildings are in progress, the Company also entered into the long term Power Purchase Agreements with CMLH (and its subsidiaries) to secure the sale of electricity by the Group once the rooftop solar power plants have achieved on-grid connection and commenced commercial operation. The entering into of the Power Purchase Agreement will enable the Group to fully utilize the generation hours of its rooftop solar power plants when put in operation, which in turn will bring in stable income streams to the Group.

The Directors of the Company (including the independent non-executive Directors) are of the view that (a) the transactions contemplated under the Lease Agreements and the Power Purchase Agreements are conducted in the ordinary and usual course of business of the Company, on normal commercial terms or better to the Group, are fair and reasonable and are in the interests of the shareholders of the Company as a whole and (b) the proposed annual caps for the transactions contemplated under the Power Purchase Agreements are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

INFORMATION ABOUT THE PARTIES

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

CMLH is a company established in the PRC whose principal activity is provision of logistic services. CMLH has operated transportation, shipping, warehousing and forwarding businesses for many years, and has a core advantage in logistic networking. CMLH has established its own logistic nodes in more than 30 major cities of China.

China Merchants Group Limited is a leading state-owned conglomerate and the ultimate holding company of both CMNEG and CMLH. CMLH is an associate of CMNEG, a substantial shareholder of the Company. The relationship with CMLH provides the Group with access to the rooftops of suitable properties owned by members of CMLH, which can be utilised for construction of rooftop solar power plants.

None of the Directors has a material interest or are required to abstain from voting on the Board resolutions in relation to the Lease Agreements and the Power Purchase Agreements. However, in the relevant Board meeting, Mr. Alan Li, Mr. Lu Zhenwei and Mr. Tang Wenying, who are directors of CMNEG, voluntarily abstained from voting on the aforesaid agreements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CMLH is an associate of CMNEG and CMNEG is a substantial shareholder of the Company. Each of CMLH and its subsidiaries is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the Lease Agreements, the Power Purchase Agreements and the transactions thereunder constitute continuing connected transactions of the Company.

As all the applicable percentage ratios in respect of the annual caps under the Lease Agreements (on an aggregate basis) for the purpose of Chapter 14A of the Listing Rules is less than 0.1%, accordingly, such transactions are fully exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps under the Power Purchase Agreements (on an aggregate basis) is more than 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the transactions contemplated under the Power Purchase Agreements.

DEFINITIONS

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

“Board”	the board of Directors
“CMLH”	China Merchants Logistics Holdings Co., Ltd.* (招商局物流集團有限公司), a company established in the PRC, a subsidiary of China Merchants Group Limited and therefore an associate of CMNEG (a substantial shareholder of the Company) and a connected person of the Company, whose principal activity is provision of logistic services
“CM Zhangzhou Trendera”	China Merchants Zhangzhou Development Zone Trender Solar Tech Limited* (招商局漳州開發區創達太陽能科技有限公司) (currently known as “China Merchants Zhangzhou Development Zone Silk Road Ark Carbon Asset Management Company Limited* (招商局漳州開發區絲路方舟碳資產管理有限公司)”), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

“CMNEG”	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the BVI with limited liability and a substantial shareholder of the Company
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Goldin Financial”	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), and being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules
“Lease Agreements”	the following lease agreements dated 30 November 2016 and entered into between the Group and designated subsidiaries of CMLH: (a) lease agreement entered into between Kunming Bangye New Energy Power Company Limited * (昆明邦業新能源發電有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Yunnan Co., Ltd.* (招商局物流集團雲南有限公司), a subsidiary of CMLH, for the leased property located in Kunming, the PRC (b) lease agreement entered into between Ningbo Bonded Area Zhaolian Lvbang New Energy Company Limited * (寧波保稅區招聯綠邦新能源有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Ningbo Co., Ltd.* (招商局物流集團寧波有限公司), a subsidiary of CMLH, for the leased property located in Ningbo, the PRC (c) lease agreement entered into between Nanchang Lvbang New Energy Company Limited* (南昌市綠邦新能源有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Nanchang Co., Ltd.* (招商局物流集團南昌有限公司), a subsidiary of CMLH, for the leased property located in Nanchang, the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatt, which equals to 1,000,000 watts
“Power Purchase Agreements”	the following power purchase agreements dated 30 November 2016 and entered into between the Group and designated subsidiaries of CMLH: (a) power purchase agreement entered into between Kunming Bangye New Energy Power Company Limited* (昆明邦業新能源發電有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Yunnan Co., Ltd.* (招商局物流集團雲南有限公司), a subsidiary of CMLH, for the sale of electricity from a 2.4MW rooftop solar power plant located in Kunming, the PRC (b) power purchase agreement entered into between Ningbo Bonded Area Zhaolian Lvbang New Energy Company Limited* (寧波保稅區招聯綠邦新能源有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Ningbo Co., Ltd.* (招商局物流集團寧波有限公司), a subsidiary of CMLH, for the sale of electricity from a 3MW rooftop solar power plant located in Ningbo, the PRC (c) power purchase agreement entered into between Nanchang Lvbang New Energy Company Limited* (南昌市綠邦新能源有限公司), an indirect subsidiary of the Company and China Merchants Logistics Group Nanchang Co., Ltd.* (招商局物流集團南昌有限公司), a subsidiary of CMLH, for the sale of electricity from a 2MW rooftop solar power plant located in Nanchang, the PRC
“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

“Rooftop Solar Power Plants Framework Agreement”	the agreement entered into on 16 December 2014 between CM Zhangzhou Trender and CMLH in relation to, among other things, CMLH leasing to CM Zhangzhou Trender certain rooftops of warehouses, distribution centers and other logistics network buildings being or to be built in certain locations in the PRC, for the installation of rooftop solar power plants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.12 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

** The English translation of the Chinese name of the relevant company included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

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

Hong Kong, 30 November 2016

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 and Ms. Qiu Ping, Maggie; the non-executive directors of the Company are Academician Yao Jiannian and Mr. Tang Wenyong; 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.