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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 82.4MW SOLAR POWER PLANTS IN THE UK

THE ACQUISITION

On 22 September 2016, the Company and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company at a maximum cash consideration of GBP30,000,000 (subject to adjustment at completion). The Target Company owns six operational solar power plants with an aggregate installed capacity of approximately 82.4MW located in the UK, all of which commenced commercial operation in the first quarter of 2015.

LISTING RULES IMPLICATIONS

As some of 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 under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from shareholders' approval.

INTRODUCTION

The Board is pleased to announce that on 22 September 2016, the Company and the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller in relation to the acquisition of the entire equity interest in the Target Company, which owns six operational solar power plants with an aggregate installed capacity of approximately 82.4MW located in the UK at a maximum cash consideration of GBP30,000,000 (subject to adjustment at completion).

THE ACQUISITION

The Sale and Purchase Agreement

Date: 22 September 2016

Parties:

Seller: Notus Investments 1 S.à r.l.

Purchaser: Renewable Energy UK Portfolio Limited

Purchaser's Guarantor: the Company, as guarantor for the due performance of the payment obligations of the Purchaser under the Sale and Purchase Agreement

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 and the plants to be acquired

Pursuant to the Sale and Purchase Agreement, subject to the fulfillment of certain conditions therein, the Purchaser has agreed to purchase, and the Seller has agreed to sell, the entire equity interest in the Target Company.

The Target Company owns a portfolio comprising six ground-mounted solar power plants with an aggregate installed capacity of approximately 82.4MW located in the UK, all of which commenced commercial operation in the first quarter of 2015. All the plants have been accredited under the 1.4 Renewable Obligation Certificate of the Renewable Obligation Scheme in the UK which will be valid for a 20-year period from 2015.

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

Consideration

The consideration for the sale and purchase of the entire equity interest is up to GBP30,000,000 (subject to adjustment at completion), payable in cash by the Purchaser, comprising:

(a) a maximum base consideration of GBP25,000,000 payable at completion;

(b) a bonus of GBP1,000,000, payable at completion, for successful drawdown of the Debt Financing amounting to at least GBP75,000,000 to be arranged by the Target Company satisfying certain expected key financing terms prior to completion;

(c) a bonus of GBP1,000,000, payable at completion, if the expected internal rate of return of the Target Group reaches the agreed standard after drawdown of the Debt Financing stated in item (b); and

(d) an annual earn-out payment of up to GBP600,000 for a period of 5 years commencing from 1 October 2016 based on the volume of electricity output of the Target Group, subject to setting-off of adjudicated claims of the Purchaser.

Under the Sale and Purchase Agreement, the parties agreed that the base consideration will be adjusted at completion according to the accounts of the Target Group as of 30 September 2016 by reflecting:

(x) the actual net working capital of the Target Group as of 30 September 2016 shown on the consolidated audited accounts (if the audited accounts are not available at completion, then based on the management accounts) of the Target Group and it is agreed that this amount shall not exceed GBP3,000,000; and

(y) the difference, if any, between the management accounts and the audited accounts of the Target Group as of 30 September 2016 shown in a true-up statement and, if the audited accounts are not available at completion, an amount of GBP1,000,000 will be withheld by the Purchaser to satisfy any potential adjustment.

The consideration was arrived at after arm's length negotiations on normal commercial terms with reference to various factors, including the net asset value of the Target Group of GBP8,747,000 as of 31 July 2016, the costs and benefits of arranging for Debt Financing for the Target Company prior to completion and the Group's internal financial analysis of the financial model. 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.

The Group will fund the payment of the consideration by internal resources and/or other financing resources.

Completion

Completion will take place on the fifth business day following the date of satisfaction, or waiver, of each of the conditions precedent of the Sale and Purchase Agreement. Upon completion of the Sale and Purchase Agreement, 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 Debt Financing having been completed (execution of relevant documents and drawdown of all the funds) in accordance with the proposed debt financing terms;

(b) where applicable, the approval of the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder by the shareholders of the Company;

(c) execution of long term power purchase agreements by the Target Group on terms substantially similar to those confirmed by the Purchaser; and

(d) rent review mechanism stipulated in the lease agreements of a solar power plant having been effectively varied and/or rectified to the terms and conditions acceptable to the Purchaser.

The parties agreed to use all reasonable endeavors to procure (so far as it lies within their respective powers to do so) the fulfillment of conditions precedent and if any of the above conditions has not been fulfilled (or waived by the Purchaser) on or before 31 January 2017 (or such other date may be extended as the parties may mutually agree in writing), any party has the right to terminate the Sale and Purchase Agreement without prejudice to any rights, remedies, obligations and liabilities for antecedent breach of the obligations under the Sale and Purchase Agreement.

Undertaking and Guarantee

The Seller undertakes that it shall not, whether directly or indirectly, discuss, solicit, agree or engage with any third party in any transaction for a sale or financing of the Target Group (or any of their assets) except in connection with the Debt Financing as contemplated under the Sale and Purchase Agreement.

The Seller has also agreed that a warranty and indemnity insurance policy will be arranged at terms acceptable to the Purchaser at the cost of the Seller to cover potential claims caused by a breach of warranties, indemnities and certain covenants of the Sale and Purchase Agreement.

The Company has agreed to guarantee the due performance of the payment obligations of the Purchaser under the Sale and Purchase Agreement.

INFORMATION ON THE SELLER

Based on information provided and confirmed by the Seller, the Seller is a private limited company incorporated in Luxembourg focusing on investments in renewable energy projects in the UK. The Seller is a Luxembourg-based investment vehicle of Elliott Management Corporation, which manages funds of approximately USD28.3 billion in assets under management as of 1 July 2016, and Equinox Energy Capital, a private investment firm deploying capital in renewable energy projects and companies globally.

INFORMATION ON THE TARGET COMPANY

The Target Company is a private limited company incorporated in Luxembourg on 4 September 2014, and principally engaged in investments in UK-based solar power plants. The Target Company, through six directly wholly-owned subsidiaries incorporated in the UK, owns and operates the Target Projects. The Target Projects commenced commercial operation in the first quarter of 2015.

Set out below is a summary of key financial data of the Target Group based on the unaudited management accounts prepared in accordance with generally accepted accounting practice in the UK:

	For the period from its incorporation date to 31 December 2015 *(GBP'000)* unaudited	**For the 7 months ended 31 July 2016** *(GBP'000)* unaudited
Revenue	6,543	5,283
Loss before taxation and extraordinary items	(2,112)	(499)
Loss after taxation and extraordinary items	(2,112)	(499)

	As of 31 December 2015 *(GBP'000)* unaudited	**As of 31 July 2016** *(GBP'000)* unaudited
Total assets	83,977	84,639
Total liabilities	(85,734)	(75,892)
Net (liabilities)/assets	(1,757)	8,747

At completion, it is expected the Target Company will not have any material liability other than the non-recourse Debt Financing, the proceeds of which will be primarily applied to repaying the outstanding shareholder's loan due to the Seller from the Target Company.

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. The Group has been actively developing overseas clean energy market, leveraging our experience and position in the PRC and expertise in solar project development, investment and operation to capture investment opportunities of solar energy in the UK and other developed overseas markets.

Having taken into consideration of the fact that the Target Projects (a) have commenced commercial operation in the first quarter of 2015, (b) have been accredited under the 1.4 Renewable Obligation Certificate of the Renewable Obligation Scheme in the UK, which will be valid for a 20-year period from 2015, and (c) have been generating stable income stream with valid power purchase agreements, the Directors are of the view that the Acquisition will supplement and diversify the Group's existing solar power plant portfolio, expand its business geography in the solar energy sector and enhance return to the shareholders as a whole.

LISTING RULES IMPLICATIONS

As some of 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 under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from shareholders' approval.

Completion of the Acquisition is subject to the fulfillment of a number of conditions precedent under the Sale and Purchase Agreement, the transaction contemplated thereunder may or may not proceed. 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 in the Target Company by the Purchaser from the Seller
"Board"	the board of Directors

"business day(s)"	a day (other than a Saturday or Sunday) on which banks are generally open in London and Hong Kong 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
"Debt Financing"	long-term non-recourse debt financing for the Target Company and the Target Projects
"Directors"	the directors of the Company
"GBP"	British Pounds, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	Megawatt, which equals to 1,000,000 watts
"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
"Purchaser"	Renewable Energy UK Portfolio Limited, a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Renewable Obligation Certificate"	a tradable certificate issued to operators of accredited renewable generating plants for the eligible renewable electricity they generate
"Renewable Obligation Scheme"	one of the main support mechanisms for large-scale renewable electricity projects in the UK
"Sale and Purchase Agreement"	the conditional Sale and Purchase Agreement dated 22 September 2016 entered into between the Purchaser and the Seller in relation to the Acquisition of the Target Company

"Seller"	Notus Investments 1 S.à r.l., a private limited company incorporated in Luxembourg
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Notus Investments 2 S.à r.l., a private limited company incorporated in Luxembourg
"Target Group"	the Target Company and its directly wholly-owned subsidiaries in the UK
"Target Projects"	six operational solar power plants located in the UK, with an aggregate installed capacity of approximately 82.4MW
"UK"	the United Kingdom
"%"	per cent.

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

Hong Kong, 22 September 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.