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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 40MW SOLAR POWER PLANT IN SHANDONG, THE PRC

THE ACQUISITION

On 20 September 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Seller, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company at the Consideration of RMB83,767,800. The Target Company owns and operates a grid-connected solar power plant with an installed capacity of approximately 40MW located in Yantai City, Shandong Province, the PRC. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

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 Share Transfer 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 20 September 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Seller, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company at the Consideration of RMB83,767,800.

THE ACQUISITION

The Share Transfer Agreement

Date: 20 September 2016

Parties:

Purchaser: Changzhou Zhaolian Green PV New Energy Co., Ltd.* (常州市招聯綠伏新能源有限公司)

Seller: Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司)

The Seller is a limited company incorporated in the PRC, which is principally engaged in investment holding. The Seller is an indirect wholly-owned subsidiary of Shunfeng International Clean Energy Limited (stock code: 1165), whose shares are listed on the Stock Exchange.

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 respective 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 plant to be acquired

Pursuant to the Share Transfer Agreement, subject to the fulfillment of the Conditions, 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 and operates a grid-connected solar power plant project with an installed capacity of approximately 40MW located in Yantai City, Shandong Province, the PRC. Please refer to the paragraph headed "Information on the Target Company" below for further information of the Target Company.

Consideration

The Consideration for the entire equity interest of the Target Company is RMB83,767,800, which shall be settled by the Purchaser in cash by instalments as follows:

- (a) RMB20,000,000 shall be payable within 5 business days after the parties having agreed in writing on the arrangement regarding the outstanding project finance of the Target Company;
- (b) RMB25,000,000 shall be payable upon fulfilment of the conditions that: (i) all documents for the registration of the transfer of the entire equity interest from the Seller to the Purchaser having been signed by the parties and accepted by the registration authority; and (ii) all the company licenses, chops, bank accounts operation and financial materials having been handed over to the Purchaser;
- (c) RMB23,767,800 shall be payable within 5 business days after: (i) the Seller having settled the tax imposed on use of the land where the Target Project is situated; (ii) solutions to the issues identified by the independent due diligence agencies engaged by the Purchaser having been agreed by the parties in writing; (iii) all the operation and management materials of the Target Company having been handed over to the Purchaser;
- (d) RMB5,000,000 shall be payable within 5 business days after the provincial subsidies having been approved by the Shandong provincial government for the year 2019;
- (e) RMB5,000,000 shall be payable within 5 business days after the provincial subsidies having been approved by the Shandong provincial government for the year 2020; and
- (f) RMB5,000,000 shall be payable within 5 business days after the application for Additional Subsidies for Renewable Energy Electricity Prices having been approved by the competent provincial government departments.

The Group will fund the payment of the Consideration by internal resources.

The total consideration for the acquisition of the Target Company is RMB409,482,600, which shall be inclusive of (a) consideration for the entire equity interest in the amount of RMB83,767,800; and (b) all the expenses and liabilities in relation to the development, construction and operation of the Target Project of no more than RMB325,714,800 as of 31 August 2016 to be assumed by the Purchaser, and any excessive amount shall be borne by the Seller.

The Consideration is subject to adjustment, if the final on-grid tariff for the Target Project is lower than the benchmark on-grid tariff (being RMB1/kwh), the Consideration is to be adjusted downwards at a rate of RMB0.08 per watt of the total installed capacity of the Target Project for every RMB0.01/kwh below the benchmark on-grid tariff.

The total consideration was arrived at after arm's length negotiations on normal commercial terms with reference to various factors, including the availability of sunlight in the area, the costs of the land use rights on the Target Project, the rate of feed-in tariff, the development and maintenance costs 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 in the end of 2015 and it provides steady income from sales of electricity, the Directors are of the view that the total 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 the Purchaser 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

Completion of the Acquisition is conditional on the fulfillment of following Conditions:

- (a) the Target Company having been duly established and existing and having obtained the requisite licenses, certificates 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 (save for the permitted third party rights created in favour of financial institution);
- (c) the Target Company having obtained filing documents in respect of the Target Project issued by the competent government departments for the inclusion in latest batch of the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄); it having obtained 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; it having completed the construction and on-grid connection of the Target Project and commenced electricity generation;
- (d) the Target Company having obtained, at its own costs, all the documents in relation to the investment, development and construction of the Target Project, as identified in the Share Transfer Agreement;

- (e) the Target Company having obtained tax-deductible invoices for the equipment consistent with the relevant contracts; and
- (f) the lender(s) having given its waiver of any pre-emption rights and consents to the Acquisition as contemplated under the Share Transfer Agreement.

The Purchaser may proceed with Completion at its discretion notwithstanding any of the above Conditions is not fulfilled and, in such circumstance, the outstanding Conditions shall survive Completion and the Seller shall remain liable to procure the fulfilment of such Conditions.

The Seller warrants to the Purchaser that the Target Project shall meet all the technical requirements set forth in the Engineering, Procurement and Construction Contract (including the performance ratio of not less than 81%).

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in the PRC on 25 December 2013, and is principally engaged in solar photovoltaic power generation in the PRC. The Target Company owns and operates a grid-connected solar power plant with an installed capacity of approximately 40MW located in Yantai City, Shandong Province, the PRC.

Based on the audited financial statements in compliance with the generally accepted accounting principles in the PRC, revenue and net profits (both before and after taxation) of the Target Company for the two financial years ended 31 December 2014 and 31 December 2015 were nil; while the total assets, total liabilities and net assets as at 31 December 2014 and 2015 are set out below:

	As at 31 December 2014 RMB (million) (audited)	As at 31 December 2015 RMB (million) (audited)
Total assets	2.9	458.9
Total liabilities	(2.9)	(383.9)
Net assets	–	75

REASONS AND BENEFITS FOR THE 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 in the end of 2015, 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 one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the transaction contemplated under the Share Transfer 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 in the Share Transfer Agreement, and the transaction contemplated thereunder therefore may or may not proceed to Completion. Shareholders of the Company and potential investors should 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 the Purchaser from the Seller
“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 entire equity interest in the Target Company in accordance with the terms and conditions of the Share Transfer Agreement
“Conditions”	those conditions set out in the paragraph headed “Conditions Precedent” in this announcement
“Consideration”	the consideration of RMB83,767,800 in cash for the sale and purchase of the entire equity interest in the Target Company
“Directors”	the directors of the Company
“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”	megawatts, which equals 1,000,000 watts
“Purchaser”	Changzhou Zhaolian Green PV New Energy Co., Ltd.* (常州市招聯綠伏新能源有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司), a company established in the PRC with limited liability
“Share Transfer Agreement”	the agreement dated 20 September 2016 entered into between the Purchaser and the Seller in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Haiyang-Xin Shunfeng Photovoltaic Technology Co., Ltd.* (海陽鑫順風光電科技有限公司), a company established in the PRC with limited liability and is wholly-owned by the Seller
“Target Project”	a grid-connected solar power plant project with an installed capacity of approximately 40 MW located in Yantai City, Shandong Province, the PRC owned and operated by the Target Company
“%”	per cent.

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

Hong Kong, 20 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.

* For identification purpose only