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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)

ISSUE OF US\$50,000,000 6.5% SECURED CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 19 August 2016 (after trading hours), the Company and the Subscriber, entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of US\$50,000,000.

The Company intends to use the net proceeds from the CB Issue as general working capital and/or financing capital for expansion of business, including the acquisition and operation of the potential solar power plant(s).

INTRODUCTION

On 19 August 2016 (after trading hours), the Company and the Subscriber, entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of US\$50,000,000.

Details of the Subscription Agreement are set out below.

CB ISSUE

The Subscription Agreement

Date

19 August 2016

Issuer

the Company

Subscriber

the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed in the section headed "Information on the Subscriber" below, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Convertible Bonds

The Company has conditionally agreed to issue the Convertible Bonds in the principal amount of US\$50,000,000 at 100% of the principal amount of the Convertible Bonds subject to fulfillment of the CB Conditions.

Bondholders will be entitled to convert the outstanding principal amount of the Convertible Bonds (translated into Hong Kong dollars at the fixed exchange rate of US\$1:HK\$7.75) into Conversion Shares at the Conversion Price during the Conversion Period. Assuming exercise in full of the Conversion Rights at the initial Conversion Price of HK\$0.65 per Share, an aggregate of 596,153,846 Conversion Shares will be issued, representing approximately 12.32% of the issued share capital of the Company as at the date of this announcement and approximately 10.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares).

The Convertible Bonds will constitute direct, unconditional, unsubordinated and secured obligations of the Company and at all times rank *pari passu* and rateably without any preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) among themselves. The payment obligations of the Company under the Convertible Bonds shall at all time rank at least *pari passu* with all of its present and future unsubordinated and unsecured payment obligations.

The Conversion Shares to be allotted and issued on conversion will be fully paid and will rank *pari passu* in all respects with, and within the same class as, the Shares then in issue on the date of allotment and issue of the Conversion Shares, except that the Conversion Shares so allotted will not rank for any dividend or other distribution declared or paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Shares on or prior to the date of allotment and issue of the Conversion Shares.

The principal terms of the Convertible Bonds are summarised below.

Principal terms of the Convertible Bonds

Principal amount

US\$50,000,000

Issue price

100% of the principal amount of the Convertible Bonds, payable in cash

Interest

The Convertible Bonds will bear interest at the rate of 6.5% per annum, payable yearly in arrears on each anniversary of the Issue Date. Interest shall accrue from day to day, and be calculated on the basis of the actual number of days elapsed and a 365-day year, including the first day of the interest period but excluding the last day of the interest period.

The interest will be paid in cash.

Maturity Date

The third anniversary of the Issue Date

Conversion Period

Bondholders are entitled to exercise the Conversion Rights at any time from the last day of a three-month period immediately following the Issue Date and ending on the fifth business day prior to the Maturity Date.

Conversion Rights of the Bondholders and the Mandatory Conversion

Bondholders are entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period, provided that exercise of the Conversion Rights will not result in:

- (a) a change of control (within the meaning of the Takeovers Code) of the Company or the Bondholders, together with parties acting in concert (within the meaning of the Takeovers Code) with them, which will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code;
- (b) insufficient public float of the Shares as defined under the Listing Rules; or
- (c) a Bondholder exercising the Conversion Right together with its close associates (as defined in the Listing Rules) becoming the largest Shareholder.

The Company is entitled to, having given not less than five nor more than ten business days' notice to the Bondholders, convert the outstanding principal amount of the Convertible Bonds into Conversion Shares if at any time during the period:

- (a) commencing from the Issue Date up to the day immediately before the first anniversary of the Issue Date (both dates inclusive), the average closing price per Share on the Stock Exchange for any fifteen consecutive trading days reaches HK\$1.3 per Share (or if there is any adjustment of the Conversion Price, such other price per Share representing a premium of 100% over the Conversion Price then in effect from time to time) or above;
- (b) commencing from the first anniversary of the Issue Date up to the day immediately before the second anniversary of the Issue Date (both dates inclusive), the average closing price per Share on the Stock Exchange for any fifteen consecutive trading days reaches HK\$1.65 per Share (or if there is any adjustment of the Conversion Price, such other price per Share representing a premium of 153.85% over the Conversion Price in effect from time to time) or above; or
- (c) commencing from the second anniversary of the Issue Date up to the Maturity Date (both dates inclusive), the average closing price per Share on the Stock Exchange for any fifteen consecutive trading days reaches HK\$2.0 per Share (or if there is any adjustment of the Conversion Price, such other price per Share representing a premium of 207.69% over the Conversion Price in effect from time to time) or above.

Conversion Price

HK\$0.65

The Conversion Price is subject to adjustments in accordance with the terms and conditions set out in the Bond Instrument if any of the following specific events occurs:

- (a) where there is an alteration to the nominal amount of a Share by reason of any consolidation or subdivision;
- (b) where the Company issues (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund) including Shares paid up out of distributable profits or reserves and/or share premium account;
- (c) where the Company makes (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own Shares which is permitted by law and by the rules of the Stock Exchange and in accordance with the provisions of the Company's memorandum of association and bye-laws) any capital distribution (including distributions in cash or specie, and any dividend charged or provided for in the accounts for any financial period) to the Shareholders (in their capacity as such) or grants to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (d) where the Company issue Shares to Shareholders as a class by way of rights, or offers to the Shareholders new Shares for conversion by way of rights, or grants to the Shareholders any options or warrants to subscribe for new Shares at a price per Share which is less than 90% of the current market price (as defined in the Bond Instrument) as at the date of the announcement of the terms of the offer or grant;
- (e) where the Company or any other company issues any securities which by their terms are convertible into or exchangeable for or carrying rights of conversion for new Shares, and the total effective consideration (as defined in the Bond Instrument) per new Share initially receivable for such securities is less than 90% of the current market price (as defined in the Bond Instrument) as at the date of the announcement of the terms of issue of such securities;

- (f) where the rights of conversion or exchange attached to any such securities as are mentioned in sub-paragraph (e) above are modified so that the total effective consideration (as defined in the Bond Instrument) per new Share initially receivable for such securities shall be less than 90% of the current market price (as defined in the Bond Instrument) as at the date of announcement of the proposal to modify such rights of conversion or exchange; or
- (g) where the Company issues any Shares at a price per Share which is less than 90% of the current market price as at the date of the announcement of the terms of such issue.

Notwithstanding the specific adjustment events set out in the Bond Instrument, in any circumstances where the Directors or the Requisite Bondholders pursuant to a special resolution shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions set out in the Bond Instrument or that such adjustment shall take effect on a different date or at a different time from that provided under the said provisions, the Company shall appoint an independent merchant bank or the auditors of the Company to consider whether the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the auditors of the Company consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner and/or take effect on a different date and/or time as shall be certified by such approved bank or the auditors of the Company to be in its opinion appropriate.

Whenever the Conversion Price is adjusted, the Company will give notice to the Bondholders and will make available for inspection by the Bondholders, among other things, a signed certificate of the auditors of the Company or an independent approved merchant bank and a certificate signed by a Director setting out brief particulars of the adjustment to the Conversion Price. The Company will make announcement(s) on adjustment of the Conversion Price.

Assuming conversion of the Convertible Bonds into Conversion Shares in full at the initial Conversion Price, the net price per Conversion Share to the Company is HK\$0.611.

Redemption at maturity

The Company will redeem the Convertible Bonds on or before the fifteenth business day after the Maturity Date at 109% of the outstanding principal amount together with accrued and unpaid interest. The Convertible Bonds will be cancelled upon redemption.

Redemption at the option of the Company

To the extent not previously converted into Conversion Shares or not being subject to conversion under the Bond Instrument at the relevant time, the Company shall have the right, at any time commencing from the last day of a six-month period immediately following the Issue Date and ending on the fifth Business Day prior to the Maturity Date after having given a redemption notice (the “**Redemption Notice**”) to the Bondholder(s), redeem all or part (being US\$1,000,000 in principal amount or an integral multiple thereof) of the Convertible Bond(s) at a price that is equal to the sum of items (a) to (c) set out below:

- (a) 100% of the face value of the part of principal amount of the Convertible Bond(s) proposed to be redeemed;
- (b) all interest accrued thereon up to (but excluding) the redemption date as specified on the Redemption Notice; and
- (c) a redemption premium, the aggregate amount of which will be determined by the following formula:

$$P \times (9\% \times N/T)$$

where:

P represents the principal amount of the Convertible Bonds to be redeemed;

N represents the number of days from the Issue Date to the date on which the entire redemption price is received by the Bondholders (both dates inclusive) (provided that the number of days of a complete full year shall be 365 days); and

T represents the number of days of three (3) complete full years (i.e. 1,095 days)

Transferability

The Convertible Bonds are freely transferable except that transfer of any of the Convertible Bonds to a connected person of the Company is subject to prior written approval of the Company.

Security

Subject to the completion of the CB Issue taking place, the Convertible Bonds will be secured by the Share Charge at completion.

The parties agreed that the SPV or its subsidiary(ies) will acquire or enter into legally binding agreement(s) to acquire the solar power plant project(s) with an aggregate installed capacity of approximately 40MW within six months after completion of the CB Issue or such other period as may be agreed between the Company and the Subscriber.

Having considered that the Security will be offered as security for the Convertible Bonds to raise funds for the Group and based on similar proposed security arrangements with other independent third party investors, the Directors consider that offering the Security for the CB Issue is in the interests of the Company and its Shareholders as a whole.

Events of default

Major events of default under the Bond Instrument are summarised below:

- (a) failure of the Company to pay the principal or premium (if any) of or any interest on any of the Convertible Bonds when due, or to deliver the required number of Conversion Shares following conversion of any Convertible Bond, and such failure continues for a period of five business days;
- (b) failure of the Company to perform or comply with any of its other obligations under the Convertible Bonds or the Bond Instrument and such default is not remedied within thirty days after notice requiring the same to be remedied is served on the Company by the Requisite Bondholder;
- (c) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any part of the property, assets or revenues of the Company or any Major Subsidiary which, in the reasonable opinion of the Requisite Bondholders, has and would have a material adverse effect on the Company or such Major Subsidiary and is not discharged or stayed within thirty days (or such longer period as the Requisite Bondholders may consider to be reasonably appropriate);

- (d) the Company or any Major Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when they fall due; stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts; makes any agreement for deferral, rescheduling or other readjustment of all its debts; threatens, proposes or makes a general assignment or an arrangement or composition with or for the benefit of creditors; or an administrator or liquidator in respect of the whole or part of the assets and turnover of the Company or any of its Major Subsidiaries is appointed;
- (e) an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration (or equivalent procedure) of the Company or any Major Subsidiary and in the case of any other order or resolution, any such decree or order remains unstayed and in effect for a period of thirty days, or the Company ceases to carry on all or material part of its business or operations, subject to certain exemptions provided in the Bond Instrument;
- (f) an administrative or other receiver or manager (or equivalent person) is duly appointed of the Company or any Major Subsidiary or the directors of the Company or any Major Subsidiary request any person to appoint such an administrative or other receiver or manager (or equivalent person) over either of them or any of their respective assets or properties, which is not discharged or stayed within thirty days;
- (g) the listing of the Company on the Stock Exchange is terminated or the Shares are suspended for trading for a period of more than ten consecutive trading days in any period of twelve months other than pending clearance by the regulatory authorities in Hong Kong in relation to any transaction including but not limited to any acquisition, disposal or formation of joint venture undertaken by the Company;
- (h) any other present or future indebtedness of the Company or any of its subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like, or any such indebtedness is not paid when due or within the applicable grace period or the Company or any subsidiary fails to pay when due any amount payable by it under any present or future indebtedness or under any present or future guarantee for, or indemnity in respect of, moneys borrowed, where the aggregate amount of one or more aforementioned events equals or exceeds US\$35,000,000 or its equivalent in other currency;

- (i) any present or future liabilities of the Company or any of its subsidiaries being breached by the Company or any of its subsidiaries by reason of any actual or potential default, an event of default under the Bond Instrument or the like, where the aggregate amount of the relevant liabilities equals or exceeds US\$35,000,000;
- (j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any Major Subsidiary; or the Company or any Major Subsidiary is prevented from exercising normal control over all or any substantial part of its property, assets and turnover;
- (k) any action, condition or thing required to be taken, fulfilled or done to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds and any other Transaction Document to which it is a party, to ensure that those obligations are legally binding and enforceable and to make the Convertible Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done;
- (l) it is or will become unlawful for the Company to perform or comply with any of its material obligations under the Subscription Agreement, the Bond Instrument or other Transaction Documents or for the Bondholders to exercise its rights under the aforementioned documents;
- (m) any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any Major Subsidiary;
- (n) there is a change of control (within the meaning of the Takeovers Code) of the Company; or
- (o) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

If any of the above events of default occurs and is continuing, the Bondholders may, if so decided by a special resolution, provide written notice (the “**EOD Notice**”) to the Company to require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption price to be determined according to the following formula (the “**EOD Redemption Price**”):

$$A + B + C$$

Where:

“A” refers to 100% of the principal amount of the Convertible Bonds then outstanding.

“B” refers to all interest accrued thereon and unpaid as at the date of the EOD Notice.

“C” refers to a redemption premium the aggregate amount of which will be determined by the following formula:

$$P \times (1+9\%)^{N/365} - P - E$$

where:

- P represents the principal amount of the Convertible Bonds then outstanding;
- N represents the number of days from the Issue Date to the date on which the entire redemption price is received by the Bondholders (both dates inclusive) (provided that the number of days of a complete full year shall be 365 days); and
- E represents all interest received by the Bondholders under the Convertible Bonds and all interest accrued on the Convertible Bonds and unpaid as at the date of the EOD Notice.

If the EOD Redemption Price have not been paid to the Bondholders within three (3) business days after the date of receipt of the EOD Notice, default interest calculated at a simple rate of 0.2% per month shall be payable by the Company monthly in cash.

The Security shall become immediately enforceable if an event of default occurs and is continuing for more than ten days or upon expiry of the applicable grace period expressly provided in the Bond Instrument (whichever is longer) and after the written notice has been given by the Requisite Bondholders.

Initial Conversion Price

The initial Conversion Price represents:

- (a) a premium of approximately 4.84% over the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 19 August 2016, being the date of the Subscription Agreement; and
- (b) a premium of approximately 4.50% over the average closing price of HK\$0.622 per Share as quoted on the Stock Exchange for the last 5 trading days up and including 19 August 2016.

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder (including the CB Issue, the provision of the Security and the issue of the Conversion Shares) are normal commercial terms, fair and reasonable having considered the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the CB Issue

The CB Issue is conditional upon the fulfillment of the following CB Conditions:

- (a) the Subscriber having conducted due diligence investigation on the legal position, financial position, operation and assets of the Group and the results are satisfactory to the Subscriber;
- (b) the Subscriber having obtained all necessary approval, waiver, consent, or authorization (where applicable) from governmental authorities, regulatory authorities, internal departments of the Subscriber or other third parties for the entering into of the Subscription Agreement and the transactions contemplated thereunder;
- (c) the Company having obtained all necessary approval, waiver, consent, or authorization (where applicable) from governmental authorities, regulatory authorities, internal departments of the Company or other third parties for the entering into of the Subscription Agreement and the transactions contemplated thereunder;
- (d) the Listing Committee of the Stock Exchange having granted to the Company the listing of, and permission to deal in, the Conversion Shares or such number of Conversion Shares which may be issued at the initial Conversion Price (which is subject to no condition or conditions which are consistent with market practice);
- (e) all warranties made by the Company in the Subscription Agreement remaining true, accurate, complete and not misleading in all material respects;
- (f) the Subscription Agreement, the Bond Instrument (including certificate(s) of the Convertible Bonds), the Share Charge and all other Transaction Documents having been entered into and delivered and the Company having complied with all agreements, discharged all obligations and satisfied all conditions (as the case may be) required to be complied with, discharged or satisfied on or before the Completion Date pursuant to the Transaction Documents; and
- (g) no material adverse change having occurred to the Company's business.

If any of the CB Condition is not satisfied (or waived by the Subscriber in its sole discretion) by 15 September 2016 (or such other date as parties to the Subscription Agreement may agree), the Subscription Agreement will terminate (except that the confidentiality and the indemnity clauses of the Subscription Agreement will continue to be in full force) without prejudice to the rights and remedies available to a party in respect of any breach prior to termination of the Subscription Agreement.

Completion

Subject to fulfillment (or waiver) of the CB Conditions, completion of the CB Issue will take place on the Completion Date.

General mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the general mandate to allot and issue, and deal with up to 967,862,065 Shares, which was granted to the Directors by an ordinary resolution of the Shareholders passed at the annual general meeting of the Company on 25 May 2016. As at the date of this announcement, the Company may issue up to 967,862,065 Shares pursuant to such general mandate.

In the event that the number of Conversion Shares falls to be issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds or upon a Mandatory Conversion based on the Conversion Price as adjusted in accordance with the adjustment events as stated above exceeds 596,153,846 Shares or such maximum number of Shares granted under the listing approval of the Stock Exchange that are issuable under the general mandate (the shortfall Conversion Shares shall be referred to as “**Exceeded Conversion Shares**”), the Conversion Rights attached to the principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (which shall be calculated by multiplying the number of Exceeded Conversion Shares with the then Conversion Price) (the “**Affected Principal Amount**”) shall be subject to the limitation; and a specific notice of the amount of Exceeded Conversion Shares and the Affected Principal Amount shall be given by the Company to all Bondholders immediately after such adjustment event. Under such circumstances, the Company will process the conversion notice received after the effective date of the adjustments on a first-come-first-served basis (provided that the maximum aggregate number of Conversion Shares that can be allotted and issued under the Convertible Bonds shall not exceed the above limits) and in respect of the Convertible Bonds in the Affected Principal Amount which is being converted by the Bondholder(s), the Company shall, instead of issuing the Exceeded Conversion Shares, redeem such “affected” Convertible Bonds in full at an amount in cash equal to (a) the Affected Principal Amount and accrued interest thereon up till the date falling on the date on which the Company redeems the Convertible Bonds, or (b) the aggregate current market price (as defined in the Bond Instrument) of the total number of the Exceeded Conversion Shares which could have been issued on the day immediately preceding the relevant conversion notice together with the accrued and unpaid interest on the Affected Principal Amount which is being converted by the Bondholders provided that such redemption amount shall be paid by the Company within fifteen (15) business days of the relevant conversion notice.

Listing application

No application will be made for the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Company shall apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at its initial Conversion Price; (iii) immediately after the allotment and issue of Shares upon full conversion of all the Outstanding Convertible Bonds (without taking into account the Shares to be issued for payment of interest under the Outstanding Convertible Bonds (if any)) and Outstanding Options and the Convertible Bonds at their respective initial conversion/subscription prices, assuming that there is no other change in the issued share capital of the Company from the date of this announcement and up to completion date of the issue of the Convertible Bonds) are set out below:

	(i)		(ii)		(iii)	
	Existing shareholding as at the date of this announcement		Shareholding immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at its initial Conversion Price		Shareholding immediately after the allotment and issue of Shares upon full conversion of all the Outstanding Convertible Bonds (without taking into account the Shares to be issued for payment of interest under the Outstanding Convertible Bonds (if any)) and Outstanding Options and the Convertible Bonds at their respective initial conversion/subscription prices	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
China Merchants New Energy Group Limited (“CMNEG”) and parties acting in concert with it						
CMNEG (<i>Note 1</i>)	579,944,250	11.98	579,944,250	10.67	1,019,980,250	10.75
Snow Hill Developments Limited (“ Snow Hill ”) (<i>Note 2</i>)	103,111,436	2.13	103,111,436	1.90	103,111,436	1.09
Magicgrand Group Limited (“ Magicgrand ”) (<i>Note 3</i>)	141,230,827	2.92	141,230,827	2.60	141,230,827	1.49
Pairing Venture Limited (<i>Note 4</i>)	18,173,487	0.38	18,173,487	0.33	18,173,487	0.19
New Energy Exchange Limited (“ NEX ”) (<i>Note 5</i>)	263,553,621	5.45	263,553,621	4.85	296,846,621	3.13
Sino Arena Investments Limited	76,653,860	1.58	76,653,860	1.41	76,653,860	0.81
Sub-total:	1,182,667,481	24.44	1,182,667,481	21.76	1,655,996,481	17.46

	(i)		(ii)		(iii)	
	Existing shareholding as at the date of this announcement		Shareholding immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at its initial Conversion Price		Shareholding immediately after the allotment and issue of Shares upon full conversion of all the Outstanding Convertible Bonds (without taking into account the Shares to be issued for payment of interest under the Outstanding Convertible Bonds (if any)) and Outstanding Options and the Convertible Bonds at their respective initial conversion/subscription prices	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Other associates of China Merchants Group Limited* (招商局集團有限公司) (“China Merchants”)						
China Merchants Fund Management Limited* (招商基金管理有限公司)	–	–	–	–	509,517,668	5.37
Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司)	–	–	–	–	555,854,810	5.86
Sub-total:	–	–	–	–	1,065,372,478	11.23
Directors	8,474,200	0.18	8,474,200	0.16	50,474,200	0.53
Associates of China Huarong						
Subscriber	–	–	596,153,846	10.97	596,153,846	6.28
Driven Innovation Limited	–	–	–	–	590,071,569	6.22
Sub-total:	–	–	–	–	1,186,225,415	12.50
Other Shareholders	3,648,168,644	75.38	3,648,168,644	67.11	5,529,986,321	58.28
Total:	<u>4,839,310,325</u>	<u>100</u>	<u>5,435,464,171</u>	<u>100</u>	<u>9,488,054,895</u>	<u>100</u>

Notes:

1. CMNEG is indirectly owned as to 79.36% by China Merchants and directly owned as to 20.64% by Magicgrand.
2. Snow Hill is indirectly and wholly owned by China Merchants.
3. Magicgrand is beneficially wholly owned by Mr. Li, Alan, an executive director and chief executive officer of the Company.
4. Pairing Venture Limited is directly and wholly owned by Mr. Li, Alan, an executive director and chief executive officer of the Company.
5. NEX is owned as to 9.9% by Magicgrand, as to 8.13% by Snow Hill and as to 81.97% by other third parties. The number of Shares held by NEX as disclosed in the table includes Shares owned by two wholly-owned subsidiaries of NEX.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcements	Transaction	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
18 December 2015 and 29 December 2015	issue of 3-year convertible bonds in the principal amount of US\$100,000,000	Approximately HK\$774,500,000	as general working capital for the acquisition, development, construction, maintenance and operation of solar power plant(s).	Approximately 82% of the proceeds have been used in connection with new solar power plants in Inner Mongolia, the PRC; the remaining 18% will be used as intended

Save as disclosed above, the Company has not conducted any other equity fund raising exercise in the past twelve months before the date of this announcement.

INFORMATION ON THE SUBSCRIBER

Based on the information provided by the Subscriber, the Subscriber is incorporated in the British Virgin Islands, whose principal business is investment holding. The Subscriber is an indirectly non-wholly owned subsidiary of China Huarong. China Huarong is a PRC state-owned non-banking financial institution, whose H shares are listed on the Stock Exchange.

To the best knowledge of the Directors, as at the date of this announcement, China Huarong, through its subsidiary, Driven Innovation Limited, holds the convertible bonds due 2018 issued by the Company on 3 June 2015 in the principal amount of US\$100,000,000 convertible into 631,376,578 Shares upon conversion and issue of Shares for payment of interest under such convertible bonds at the conversion price of HK\$1.3134 per Share. As at the date of this announcement, none of such convertible bonds held by Driven Innovation Limited has been redeemed nor converted, in whole or in part, and China Huarong and its subsidiaries did not hold any Share.

INFORMATION ON THE COMPANY AND REASONS FOR THE CB ISSUE

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. It is expected that the net proceeds of about HK\$364,050,000 will be raised through the CB Issue. The Company intends to use the net proceeds from the CB Issue as general working capital and/or financing capital for expansion of business, including the acquisition and operation of the potential solar power plant(s).

The Directors (including independent non-executive Directors) consider that the CB Issue and transactions contemplated thereunder are on normal commercial terms determined after arm's length negotiation between the parties, fair and reasonable and in the interests of the Company and the Shareholders as whole.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bond Instrument”	the deed to be executed by the Company which will constitute the Convertible Bonds and contain the terms and conditions of the Convertible Bonds
“Bondholder(s)”	holders(s) of the Convertible Bonds, including all subsequent transferee(s) of the Convertible Bonds
“business day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CB Condition(s)”	the condition(s) set out in the paragraph headed “Conditions of the CB Issue” under the section headed “CB Issue – The Subscription Agreement” in this announcement
“CB Issue”	the issue of the Convertible Bonds pursuant to the terms of the Subscription Agreement
“China Huarong”	China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司), a company established in the PRC with limited liability, whose H shares are listed on the Stock Exchange

“Completion Date”	within seven business days after the fulfilment of the CB Conditions (or such other date as the parties to the Subscription Agreement may agree), whereupon, completion of the CB Issue will take place
“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
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	the period commencing from the last day of a three-month period immediately following the Issue Date and ending on the fifth business day prior to the Maturity Date (both dates inclusive)
“Conversion Price”	HK\$0.65 per Share, subject to adjustment under the terms and conditions of the Convertible Bonds
“Conversion Right(s)”	the right(s) of the Bondholder(s) to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, subject to the terms of the Convertible Bonds
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon (i) exercise of the Conversion Rights attached to the Convertible Bonds; and/or (ii) upon a Mandatory Conversion
“Convertible Bond(s)”	the 6.5% secured three-year convertible bonds in the principal amount of US\$50,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company
“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
“Issue Date”	the day on which the Convertible Bonds are issued pursuant to the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Subsidiary”	a subsidiary of the Company the total assets, profits or revenue of which represents 5% or more under any of the percentage ratios defined under Rule 14.04(9) of the Listing Rules
“Mandatory Conversion”	mandatory conversion of the outstanding principal amount of the Convertible Bonds into Conversion Shares by the Company in accordance with the terms of the Bond Instrument
“Maturity Date”	in respect of each Convertible Bond, the date falling on the third anniversary of the Issue Date
“MW”	megawatts, which equals 1,000,000 watt
“Outstanding Convertible Bonds”	all the outstanding convertible bonds of the Company as of the date of this announcement: (a) the Series B convertible bonds of the Company due 2018 in the principal amount of HK\$759,920,000, which is convertible into a total of 759,920,000 Shares at the current conversion price of HK\$1.00 per Share (subject to adjustments) (b) the consolidated 5% secured guaranteed convertible bonds of the Company due 2016 in the principal amount of US\$120,000,000, which is convertible into a total of 581,250,000 Shares at the current conversion price of HK\$1.6 per Share (subject to adjustments) (c) the convertible bonds of the Company due 2018 issued on 27 December 2013 in the principal amount of HK\$232,959,339, which is convertible into a total of 145,599,586 Shares at the current conversion price of HK\$1.60 per Share (subject to adjustments) (d) the convertible bonds issued on 20 April 2015 in the principal amount of HK\$524,803,198.80, which is convertible into a total of 509,517,668 Shares at the current conversion price of HK\$1.03 per Share (subject to adjustments)

- (e) the convertible bonds issued on 29 April 2015 in the principal amount of US\$30,000,000, which is convertible into a total of 225,728,155 Shares at the current conversion price of HK\$1.03 per Share (subject to adjustments)
- (f) the convertible bonds issued on 3 June 2015 in the principal amount of US\$100,000,000, which is convertible into a total of 590,071,569 Shares at the current conversion price of HK\$1.3134 per Share (subject to adjustments)
- (g) the convertible bonds issued on 23 June 2015 in the principal amount of US\$15,000,000, which is convertible into a total of 112,864,077 Shares at the current conversion price of HK\$1.03 per Share (subject to adjustments)
- (h) the convertible bonds issued on 29 December 2015 in the principal amount of US\$100,000,000, which is convertible into a total of 486,564,540 Shares at the current conversion price of HK\$1.5928 per Share (subject to adjustments)

“Outstanding Options”

all the outstanding options of the Company as of the date of this announcement:

- (a) a maximum of 555,854,810 Shares to be issued pursuant to an option agreement dated 23 January 2015
- (b) 49,900,000 Shares to be issued pursuant to the share options granted on 8 January 2015
- (c) 35,320,319 Shares to be issued pursuant to the share options granted on 28 January 2016

“PRC”

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

“Requisite Bondholders”

Bondholders holding not less than 75% of the outstanding principal amount of the Convertible Bonds

“RMB”

Reminbi, the lawful currency of the PRC

“Security”	security under the Subscription Agreement set out in the paragraph headed “Security” under the section headed “CB Issue – The Subscription Agreement – Principal terms of the Convertible Bonds” in this announcement
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes of the Company resulting from any subdivision, consolidation or re-classification of those shares
“Share Charge”	the share charge to be executed over the entire issued share capital of the SPV in favour of the Subscriber
“Shareholder(s)”	holder(s) of the Shares
“SPV”	Driven Green Holdings Limited, a limited liability company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company and a new special purpose vehicle for the acquisition of the potential solar power plant project(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Power Revenue Limited, a company incorporated in British Virgin Islands with limited liability
“Subscription Agreement”	the subscription agreement dated 19 August 2016 and entered into between the Company and the Subscriber in relation to the CB Issue (as may be amended from time to time)
“Takeovers Code”	Code on Takeovers and Mergers
“Transaction Documents”	the Subscription Agreement, the Bond Instrument, the certificate(s) evidencing the title of the Bondholder(s) to the Convertible Bonds, the Share Charge and any other document or agreement designated in writing as such by the Subscriber and the Company

“US\$”

United States dollars, the lawful currency of the United States of America

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

Hong Kong, 19 August 2016

In this announcement, the conversion of US\$ into HK\$ has been made at a rate of US\$1:HK\$7.75. Such conversion should not be construed as a representation that any amount has been, could have been or may be, exchanged at this 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), 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.