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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 TRANSACTIONS IN RELATION TO ACQUISITIONS OF (1) A 10MW SOLAR POWER PLANT AND (2) A 50MW SOLAR POWER PLANT IN INNER MONGOLIA, THE PRC

THE ACQUISITIONS

On 25 April 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the following agreements:

- (1) Ala Shan Acquisition Agreement with the Seller, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in Target Company A at the total consideration of not more than RMB90,000,000. Target Company A owns and operates a solar power plant with an installed capacity of approximately 10MW located in Inner Mongolia, the PRC; and
- (2) Wulate Acquisition Agreement with the same Seller, whereby the Purchaser has conditionally agreed to acquire the 98.87% equity interest in Target Company B at the total consideration of not more than RMB490,000,000. Target Company B owns and operates a solar power plant project with an installed capacity of approximately 50MW located in Inner Mongolia, the PRC.

LISTING RULES IMPLICATIONS

The Acquisition Agreements are entered into by the Purchaser with the same party, and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). As two of the applicable percentage ratios in respect of the Acquisition Agreements, on an aggregation basis, are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 April 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with the Seller, whereby the Purchaser has conditionally agreed, among others, to acquire the entire equity interest in Target Company A and the 98.87% equity interest in Target Company B at the total consideration of not more than RMB90,000,000 and not more than RMB490,000,000 respectively.

Ala Shan Acquisition Agreement

Date: 25 April 2016

Parties:

Seller: Forty-eighth Research Institute of China Electronics Technology Group Corporation * (中國電子科技集團公司第四十八研究所)

Purchaser: United Photovoltaics (Changzhou) Investment Limited* (聯合光伏(常州)投資有限公司)

The Seller is a PRC registered institution under the Provisional Regulations on Administration of Registered Institutions* (《事業單位登記管理暫行條例》) and is principally engaged in the research and development, manufacturing and sale of solar power products; investment and operation of solar power plants; provision of engineering, procurement and construction services in respect of solar power plants.

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 plant to be acquired

Pursuant to the Ala Shan Acquisition Agreement, subject to the fulfilment of certain conditions therein, the Purchaser has agreed to purchase, and the Seller has agreed to sell, the entire equity interest in Target Company A.

Target Company A owns and operates a solar power plant project with an installed capacity of approximately 10MW located in Inner Mongolia, the PRC. Further information on Target Company A is set out in the section headed “Information on Target Company A” below.

Consideration

The consideration for the acquisition of Target Company A is not more than RMB90,000,000. The consideration will be payable on terms to be confirmed in a supplemental agreement in relation to the transfer of the entire equity interest in Target Company A from the Seller to the Purchaser.

The consideration is inclusive of all the licence fees in relation to the operation of the solar power plant project and it shall be adjusted based on various factors, including the availability of sunlight in the area, the costs of the land use rights on the project, the rate of feed-in tariff, the rate of grid curtailment and the development and maintenance costs.

The Group will fund the payment of the consideration payable under the Ala Shan Acquisition Agreement by a combination of internal resources and external financing.

The 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 project, the rate of feed-in tariff, the rate of grid curtailment and 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 solar power plant having achieved on-grid connection in the first half of 2015 and it provides steady income from sales of electricity, the Directors are of the view that the consideration for the Ala Shan Acquisition Agreement is fair and reasonable and the terms of Ala Shan Acquisition Agreement and the transactions contemplated therein are in the interest of the Company and its shareholders as a whole.

Completion

Completion will take place on the date on which a new business license reflecting registration of the transfer of the entire equity interest in Target Company A is issued and in the manner consistent with the Ala Shan Acquisition Agreement and the supplemental equity transfer agreement in relation to the Acquisition of Target Company A. Upon the completion, Target Company A will become an indirect wholly-owned subsidiary of the Company.

Conditions Precedent

The acquisition of Target Company A in the Ala Shan Acquisition Agreement is conditional on fulfillment of the following conditions precedent:

- (a) Target Company A having been duly established and existing and having obtained all the requisite approvals, licenses and permits concerning its operation and business as set forth in its business license; the full payment of the registered capital having been paid up and the equity interest of Target Company A is free of encumbrances;
- (b) Target Company A having been the sole legal entity for the initial development, investment, construction and operation of Target Project A, and beneficially owns the assets and rights of Target Project A;
- (c) Target Company A having obtained filing documents and annual construction directives issued by the competent government departments in respect of the solar power plant project, obtained approval for on-grid connection and commenced electricity generation;
- (d) the Seller and/or the EPC contractor of Target Company A having provided written confirmation in relation to the system design, equipment, development on the power plant, installation, testing, engineering quality to the Purchaser; written approval having been granted by the Purchaser in relation to the EPC contract or supplemental agreement(s) having been signed to the satisfaction of the Purchaser. The Seller or its affiliates having undertaken to pay the outstanding fee in relation to the EPC contract. The Seller undertakes that it will procure the EPC contractor to provide tax-deductible invoices in an amount not less than 70% of the consideration for the transfer of the entire equity interest in Target Company A;
- (e) Target Company A having commissioned a third party testing organization (TUV) for system testing of its power generation efficiency and power generation efficiency detected should not be less than 80%. The Seller shall guarantee the power generation efficiency and sign an agreement to this effect for a period of 3 years in the form and manner required by the Purchaser;
- (f) the Seller having provided the Purchaser with the financial statements and related information of Target Company A, and to ensure that the information is complete, true and accurate, and the due diligence reports issued by the intermediaries designated under the mutual consent of both the Purchaser and the Seller would meet the requirements of the Purchaser;

- (g) the conducting of on-site due diligence inspection of Target Company A and Target Project A by the intermediaries designated by the Purchaser and the due diligence reports (including, but not limited to, legal, technical and financial due diligence reports) issued by such intermediaries contain no material adverse opinion, or, if issues are identified in such report, the parties having reached supplementary agreements that would meet the requirements of the Purchaser and/or having reached mutual consent as to the resolving of such issues;
- (h) each of the parties to the Ala Shan Acquisition Agreement having obtained their respective internal approvals to the transfer of equity interest in Target Company A;
- (i) if further approval is required to be obtained from the original project license department due to the request of the government authorities; or such government authorities request Target Company A to obtain the consent of the other party in agreements, contracts, documents, deeds and other documents in which Target Company A is a party; and such matters have been or will be the subject of application which affects or will affect the normal business funding of Target Company A, the written consent, approval or registration of the parties, government department shall be one of the prerequisites;
- (j) Target Project A having met the financing conditions of the financial institutions; and
- (k) the Seller shall take assignment of the principal amount of a loan owed by Target Company A to a lender and enter into a new loan contract with Target Company A in relation to the principal amount of such loan (and the interest shall remain payable by Target Company A), provided the loan amount and the equity consideration does not exceed the consideration payable in respect the acquisition of Target Project A.

Wulate Acquisition Agreement

Date: 25 April 2016

Parties:

Seller: Forty-eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團公司第四十八研究所)

Purchaser: United Photovoltaics (Changzhou) Investment Limited* (聯合光伏(常州)投資有限公司)

Equity interest and the plant to be acquired

Pursuant to the Wulate Acquisition Agreement, subject to the fulfillment of certain conditions therein, the Purchaser has agreed to purchase, and the Seller has agreed to sell, the 98.87% of the equity interest in Target Company B.

Target Company B owns and operates a solar power plant project with an installed capacity of approximately 50MW located in Inner Mongolia, the PRC. Further information on Target Company B is set out in the section headed “Information on Target Company B” below.

Consideration

The consideration for the acquisition of Target Company B is not more than RMB490,000,000. The consideration will be payable on terms to be confirmed in a supplemental agreement in relation to the transfer of the equity interest in Target Company B.

The consideration is inclusive of all the licence fees in relation to the operation of the solar power plant project and it shall be adjusted based on various factors, including the availability of sunlight in the area, the costs of the land use rights on the project, the rate of feed-in tariff, the rate of grid curtailment and the development and maintenance costs.

The Group will fund the payment of the consideration payable under the Wulate Acquisition Agreement by a combination of internal resources and external financing.

The 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 project, the rate of feed-in tariff, the rate of grid curtailment and 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 solar power plant having achieved on-grid connection in late 2014 and it provides steady income from sales of electricity, the Directors are of the view that the consideration for the Wulate Acquisition Agreement is fair and reasonable and the terms of Wulate Acquisition Agreement and the transactions contemplated therein are in the interest of the Company and its shareholders as a whole.

Completion

Completion will take place on the date on which a new business license reflecting registration of the transfer of the equity interest in Target Company B is issued and in the manner consistent with the Wulate Acquisition Agreement and the supplemental equity transfer agreement in relation to the Acquisition of Target Company B. Upon the completion, Target Company B will become an indirect subsidiary of the Company.

Conditions Precedent

The acquisition of Target Company B in the Wulate Acquisition Agreement is conditional on fulfillment of following conditions precedent:

- (a) Target Company B having been duly established and existing and having obtained all the requisite approvals, licenses and permits concerning its operation and business as set forth in its business license; the full payment of the registered capital having been paid up and the equity interest of Target Company B is free of encumbrances;
- (b) Target Company B having been the sole legal entity for the initial development, investment, construction and operation of Target Project B, and beneficially owns the assets and rights of Target Project B;
- (c) Target Company B having obtained filing documents and annual construction directives issued by the competent government departments in respect of the solar power plant project, obtained approval for on-grid connection and commenced electricity generation;
- (d) the Seller and/or the EPC contractor of Target Company B having provided written confirmation in relation to the system design, equipment, development on the power plant, installation, testing, engineering quality to the Purchaser; written approval having been granted by the Purchaser in relation to the EPC contract or supplemental agreement(s) having been signed to the satisfaction of the Purchaser. The Seller or its affiliates having undertaken to pay the outstanding fee in relation to the EPC contract. The Seller undertakes that it will procure the EPC contractor to provide tax-deductible invoice in an amount not less than 70% of the consideration for the transfer of the equity interest in Target Company B;
- (e) Target Company B having commissioned a third party testing organization (TUV) for system testing of its power generation efficiency and power generation efficiency detected should not be less than 80%. The Seller shall guarantee power generation efficiency and sign an agreement to this effect for a period of 3 years in the form and manner required by the Purchaser;
- (f) the Seller having provided the Purchaser with the financial statements and related information of Target Company B, and to ensure that the information is complete, true and accurate, and the due diligence reports issued by the intermediaries designated under the mutual consent of both the Purchaser and the Seller would meet the requirements of the Purchaser;

- (g) the conducting of on-site due diligence inspection of Target Company B and Target Project B by the intermediaries designated by the Purchaser and the due diligence reports (including, but not limited to, legal, technical and financial due diligence reports) issued by such intermediaries contain no material adverse opinion, or, if issues are identified in such report, the parties having reached supplementary agreements that would meet the requirements of the Purchaser and/or having reached mutual consent as to the resolving of such issues;
- (h) each of the parties to the Wulate Acquisition Agreement having obtained their respective internal approvals to the transfer of equity interest in Target Company B;
- (i) if further approval is required to be obtained from the original project license department due to the request of the government authorities; or such government authorities request Target Company B to obtain the consent of the other party in agreement, contract, documents, deeds and other documents in which Target Company B is a party; and such matters have been or will be the subject of application which affects or will affect the normal business funding or subsidies, the written consent, approval or registration of the parties, government department shall be one of the prerequisites;
- (j) the registered capital of Target Company B having been increased to RMB90,000,000 and having been fully paid, and in which the Seller having been contributed RMB88,980,000, representing the 98.87% equity interest of Target Company B;
- (k) Target Project B having met the financing conditions of the financial institutions; and
- (l) the Seller shall take assignment of the principal amount of a loan owed by Target Company B to a lender and enter into a new loan contract with Target Company B in relation to the principal amount of such loan (and the interest shall remain payable by Target Company B).

INFORMATION ON TARGET COMPANY A

Target Company A is a limited company incorporated in the PRC on 17 April 2014, and principally engaged in investing, developing, operating and constructing solar power plants in the PRC. Target Company A owns and operates a solar power plant project with an installed capacity of 10MW located in the Inner Mongolia, the PRC.

Set out below is a summary of key financial data of Target Company A based on the unaudited management accounts:

	For the period from 17 April 2014 (date of establishment) to 31 December 2014 <i>RMB (million)</i> unaudited	For the year ended 31 December 2015 <i>RMB (million)</i> unaudited
Revenue	–	9.3
Profit before taxation and extraordinary items	–	0.3
Profit after taxation and extraordinary items	–	0.3

Based on the unaudited management accounts of Target Company A, further financial information of Target Company A is set out below:–

	As at 31 December 2014 <i>RMB (million)</i> unaudited	As at 31 December 2015 <i>RMB (million)</i> unaudited
Total assets	93	103
Total liabilities	(75)	(85)
Net assets	18	18

INFORMATION ON TARGET COMPANY B

Target Company B is a limited company incorporated in the PRC on 19 September 2014, and principally engaged in developing solar power plants in the PRC. Target Company B owns and operates a solar power plant project with an installed capacity of 50MW located in the Inner Mongolia, the PRC.

Set out below is a summary of key financial data of Target Company B based on the unaudited management accounts:

	For the period from 19 September 2014 (date of establishment) to 31 December 2014 <i>RMB (million)</i> unaudited	For the year ended 31 December 2015 <i>RMB (million)</i> unaudited
Revenue	–	62
Profit before taxation and extraordinary items	–	18
Profit after taxation and extraordinary items	–	18

Based on the unaudited management accounts of Target Company B, further financial information of Target Company B is set out below:–

	As at 31 December 2014 <i>RMB (million)</i> unaudited	As at 31 December 2015 <i>RMB (million)</i> unaudited
Total assets	439	453
Total liabilities	(349)	(345)
Net assets	90	108

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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 both of Target Project A and Target Project B have achieved on-grid connection and been generating revenue, the Directors are of the view that the acquisitions under the Acquisition Agreements 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

The Acquisition Agreements are entered into by the Purchaser with the same party, and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). As two of the applicable percentage ratios in respect of the Acquisition Agreements, on an aggregation basis, are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Completion of the Acquisitions is subject to the fulfillment of a number of conditions precedent under their respective agreements, the transactions 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 capitalized terms shall have the meanings as set out below:

“Acquisitions”	Ala Shan Acquisition and Wulate Acquisition
“Acquisition Agreements”	Ala Shan Acquisition Agreement and Wulate Acquisition Agreement
“Ala Shan Acquisition”	the acquisition of the entire equity interest in Target Company A by the Purchaser from the Seller
“Ala Shan Acquisition Agreement”	the conditional acquisition agreement dated 25 April 2016 entered into between the Purchaser and the Seller in relation to the Ala Shan Acquisition
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
“Company”	United Photovoltaics Group Limited (聯合光伏集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatt, which equals to 1,000,000 watt
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Purchaser”	United Photovoltaics (Changzhou) Investment Limited* (聯合光伏(常州)投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Forty-eighth Research Institute of China Electronics Technology Group Corporation* (中國電子科技集團公司第四十八研究所), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company A”	Ala Shan Youqui Zhongdianke New Energy Development Co., Limited* (阿拉善右旗中電科新能源發展有限公司), a company established in the PRC with limited liability
“Target Company B”	Guodian Wulateqianqi Photovoltaics Power Co., Limited* (國電烏拉特前旗光伏發電有限公司), a company established in the PRC with limited liability
“Target Project A”	a solar power plant of Target Company A with installed capacity of 10MW which is located in Inner Mongolia, the PRC

“Target Project B”	a solar power plant of Target Company B with installed capacity of 50MW which is located in Inner Mongolia, the PRC
“Wulate Acquisition”	the acquisition of the 98.87% of the equity interest in Target Company B by the Purchaser from the Seller
“Wulate Acquisition Agreement”	the conditional acquisition agreement dated 25 April 2016 entered into between the Purchaser and the Seller in relation to the Wulate Acquisition
“%”	per cent.

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

Hong Kong, 25 April 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*