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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 40MW SOLAR POWER PLANTS IN QINGHAI, THE PRC

THE ACQUISITION

On 25 April 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Seller and the Guarantor, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company at the cash consideration of not more than RMB214,678,700. The Target Company owns and operates two grid-connected solar power plants with an aggregate installed capacity of approximately 40MW located in Qinghai Province, the PRC.

The Guarantor has agreed to guarantee the performance by the Seller of certain obligations under the Acquisition Agreement.

LISTING RULES IMPLICATIONS

As two of the applicable percentage ratios in respect of the Acquisition Agreement, are more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreement constitutes 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 Agreement with the Seller and the Guarantor, whereby the Purchaser has conditionally agreed, among others, to acquire the entire equity interest in the Target Company at the cash consideration of not more than RMB214,678,700.

THE ACQUISITION

The Acquisition Agreement

Date: 25 April 2016

Parties:

Seller: Zhejiang Ruixu Investment Co., Limited* (浙江瑞旭投資有限公司)

Purchaser: Qinghai United Photovoltaic Co., Limited* (青海聯合光伏有限公司)

Guarantor: Jiangsu Akcome Industrial Group Co., Limited* (江蘇愛康實業集團有限公司)

The Seller is a limited company incorporated in the PRC and its principal businesses are development, investment and construction of new energy projects. The Guarantor is a limited company established in the PRC and its principal businesses are solar power generation, manufactory, real estate and trade industry.

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 the Guarantor and their 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 plants to be acquired

Pursuant to the Acquisition 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 two solar power plants with an aggregate installed capacity of approximately 40MW located in Qinghai Province, the PRC, which have achieved grid connection in 2011 and 2013 respectively. Further information on the Target Company is set out in the section headed "Information on the Target Company" below.

Consideration

The consideration for the transfer of the entire equity interest of the Target Company is not more than RMB214,678,700 which shall be settled in cash.

The first payment of not more than RMB173,743,000 will be payable within 7 business days after the parties having entered into further agreement(s) to confirm certain obligations of the Seller, including the release of the existing encumbrances over the equity interest in, and certain rights and assets of, the Target Company; rectification plan to address the Target Projects for issues identified during the due diligence process; and repayment of the outstanding shareholder's loan (the "Further Obligations"). Such agreement(s) shall be entered into between the Seller and the Purchaser within five business days after fulfillment of the Conditions.

A further payment of not more than RMB40,935,700 minus the amount of the last payment of consideration as determined below shall be payable within 5 business days after fulfilment of the following conditions:–

- (a) the parties having signed further agreement(s) with respect to the Further Obligations and such agreement(s) having become effective;
- (b) the transfer of the entire equity interest from the Seller to the Purchaser having been completed;
- (c) the parties having agreed on the completion accounts of the Target Company;
- (d) the Seller having provided all documents required to effect the transfer of equity interest in the Target Company and change of directors, supervisor and senior management;
- (e) all the statutory documents, company chops and stamps and corporate and financial documents or materials having been handed over to the Purchaser; and
- (f) the Target Company and the Target Projects having satisfied all the requirements of the financing institution(s) for the purpose of providing financing, subject to confirmation of the Purchaser.

After completing the technical due diligence conducted by an independent intermediary, the parties shall further agree on the amount of the last payment of the consideration and such last payment shall be payable within 5 business days after satisfaction of all the Further Obligations of the Seller.

The Group will fund the payment of the consideration payable under the Acquisition Agreement by internal resources.

The consideration was arrived at after arm's length negotiations on normal commercial terms with reference to various factors, including the initial investment costs by the Seller, the estimated costs of construction and development of the Target Projects and the Group's internal analysis of the financial model and the Target Projects having achieved on-grid connection and they provide steady income from sales of electricity. 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.

Completion

Upon fulfilment of the Conditions, the Seller shall procure the completion of the registration of the transfer of the entire equity interest in the Target Company in a timely manner. Completion will take place on the date on which a new business license reflecting registration of the transfer of the entire equity interest in the Target Company is issued. Upon completion of the Acquisition 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:

- (a) the Target Company 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 and all registered capital having been paid up and the entire equity interest is not subject to any encumbrances (save agreed in writing by the Purchaser);
- (b) the Target Company having been the sole legal entity for the initial development, investment, construction and operation of the Target Projects, and beneficially owns the assets and rights of the Target Projects and the rights to feed-in tariff and assets of the Target Projects are not subject to any encumbrances (save agreed in writing by the Purchaser);
- (c) the Target Company having obtained filing documents and annual construction directives issued by the competent government departments in respect of the Target Projects which are valid and subsisting; having obtained approval for on-grid connection of the Target Projects; having completed all procedure for land use rights for the Target Projects with valid documentation; having entered into grid connection agreement(s) and electricity sale agreement(s) in relation to the Target Projects; and the Target Projects having completed the construction and on-grid connection and commenced electricity generation;
- (d) the Seller having provided the Purchaser with the financial statements of the Target Company, which is complete, true and accurate;

- (e) the conducting of on-site due diligence inspection of the Target Company and Target Projects 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 agreement to such issues;
- (f) the EPC contractor of the Target Projects having provided guarantee(s) for the design, equipment, engineering, installation, testing, operation and engineering quality of the Target Projects;
- (g) the parties having reached an agreement on provision of appropriate invoices bearing value added tax for the equipment of the Target Projects;
- (h) each of the parties to the Acquisition Agreement having obtained their respective internal approvals to the transfer of equity interest in the Target Company;
- (i) the Target Projects having satisfied all the requirements of the financing institution(s) as designated by the Purchaser for the purpose of providing financing;
- (j) the Seller/Purchaser having obtained approval from the regulatory authorities in the PRC in connection with the Acquisition, if applicable;
- (k) the parties having obtained all consent or authorization from the regulatory authorities and/or the other party(ies) to the agreements, contracts, documents or deeds to which the Target Company is a party as required by the relevant regulatory authorities, and absence of such consent or authorization may affect the normal operation and application of feed-in tariff of the Target Company; and
- (l) all financial information of the Target Company provided by the Seller is accurate, subject to confirmation in writing by the parties.

If any of the Conditions is not satisfied on or before 31 July 2016 (or such other date as the parties may agree in writing), the Purchaser shall not be obliged to proceed to completion of the Acquisition Agreement.

Guarantee

Pursuant to the Acquisition Agreement, the Seller guarantees that the inspection report in relation to the quality and performance of Target Projects issued by the third-party technical inspection association (TUV) shows that the performance of the Target Projects meet the requirements under the EPC contracts and the electricity generation rate of the two solar power plants shall not be less than 77% and 76% respectively.

The Seller's Guarantor agreed to guarantee the performance by the Seller of its obligations of provision of all documents as required for the registration of the transfer of the equity interest in the Target Company under the Acquisition Agreement and assume a joint liabilities in respect of the above obligations of the Seller under the Acquisition Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in the PRC on 30 August 2011, and principally engaged in investing, developing and constructing new energy power plants in the PRC. The Target Company holds two solar power plants with an aggregate installed capacity of 40MW located in the Qinghai Province, the PRC. The Target Projects have achieved grid connection in 2011 and 2013, respectively.

The table below sets out certain financial information of the Target Company based on the unaudited management accounts of the Target Company for the two financial years ended 31 December 2015:

	For the year ended 31 December 2014 <i>RMB (million)</i> (unaudited)	For the year ended 31 December 2015 <i>RMB (million)</i> (unaudited)
Revenue	65	62
Profit before taxation	10	15
Profit after taxation	10	14
	As at 31 December 2014 <i>RMB (million)</i> (unaudited)	As at 31 December 2015 <i>RMB (million)</i> (unaudited)
Total assets	523	521
Total liabilities	333	317
Net assets	190	204

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. Having taken into consideration of the fact that the solar power plants owned by the Target Company have been generating revenue and the Target Projects are located in Qinghai Province where the Group has existing solar power plants of approximately 200MW, the Directors are of the view that the Acquisition will supplement the Group's existing solar power plant portfolio with operational synergy in Qinghai Province and further expand its scale of business in the solar energy sector to enhance return to the shareholders.

LISTING RULES IMPLICATIONS

As two of the applicable percentage ratios in respect of the Acquisition Agreement, are more than 5% but less than 25%, the transaction contemplated under the Acquisition Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Completion of the Acquisition is subject to the fulfillment of a number of conditions precedent under the Acquisition 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
“Acquisition Agreement”	the conditional Acquisition Agreement dated 25 April 2016 entered into between the Purchaser, the Seller and the Guarantor in relation to the 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
“Conditions”	the conditions precedent set out in the Acquisition Agreement
“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“Guarantor”	Jiangsu Akcome Industrial Group Co., Limited* (江蘇愛康實業集團有限公司), a company established in the PRC with limited liability
“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”	Qinghai United Photovoltaic Co., Limited* (青海聯合光伏有限公司), 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”	Zhejiang Ruixu Investment Co., Limited* (浙江瑞旭投資有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Qinghai Yuhui New Energy Company Limited* (青海昱輝新能源有限公司), a company established in the PRC with limited liability

“Target Projects”

two solar power plants of the Target Company which are both located in Qinghai Province, the PRC, with an aggregate installed capacity of approximately 40MW

“%”

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