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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 35MW SOLAR POWER PLANT PROJECT IN THE PRC

THE ACQUISITION

On 22 April 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Seller, whereby the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company at the cash consideration of RMB30,500,000. The Target Company owns a solar power plant project with an installed capacity of approximately 35MW located in Yunnan Province, the PRC.

As part of the terms of the Acquisition, the Seller agreed to provide a guarantee of feed-in tariff and annual volume of electricity generation of the Target Project for a period of five years in accordance with the terms of the Electricity Generation Guarantee Agreement.

LISTING RULES IMPLICATIONS

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

When aggregated with the acquisitions of certain equity interest in a project company holding a 19.8MW solar power plant project in Yunnan Province from the same Seller within a twelve-month period, none of the applicable percentage ratios in respect of the Equity Transfer Agreement and the previous equity transfer agreements exceed 25%, all the transactions contemplated under the Equity Transfer Agreement and the previous equity transfer agreements (in aggregate) also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 22 April 2016, after trading hours, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Seller, whereby the Purchaser has conditionally agreed, among others, to acquire the entire equity interest in the Target Company at the cash consideration of RMB30,500,000.

THE ACQUISITION

The Equity Transfer Agreement

Date: 22 April 2016

Parties:

Seller: Yunnan Huiguang New Energy Investment Co., Limited* (雲南惠光新能源投資有限公司)

Purchaser: Changzhou New Light New Energy Limited* (常州新光新能源有限公司)

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

The Target Company owns a solar power plant project with an installed capacity of approximately 35MW located in Yunnan Province, the PRC. 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 is RMB30,500,000. The first payment in the amount of RMB20,000,000 is payable within 5 business days after each of the following has been fulfilled:–

- (a) the transfer of the entire equity interest from the Seller to the Purchaser having been completed and a new business license having been issued to this effect;
- (b) supplemental agreement(s) to the procurement and construction contract satisfactory to the Purchaser having been signed by the Target Company;
- (c) the Electricity Generation Guarantee Agreement having been duly executed by the Seller; and
- (d) all the company chops, bank accounts and financial materials having been handed over to the Purchaser and the parties having reached an agreement on the handover accounts of the Target Company.

The remaining balance of RMB10,500,000 shall be payable within 7 days after satisfaction of certain post-completion obligations by the Seller in relation to, among others, construction, operation, entitlement to feed-in tariff and the infrastructure relating to the Target Project.

The Group will fund the payment of the consideration payable under the Equity Transfer Agreement by internal resources. A refundable deposit of RMB30,000,000 has been paid and will be utilized to settle the consideration in accordance with terms of the Equity Transfer Agreement.

Under the Equity Transfer Agreement, the parties agreed that the total investment of the Target Project shall be RMB314,300,000, which include the cash consideration of RMB30,500,000 together with all the costs for the development, construction and commencement of operation of the Target Project. The payment terms for the development and construction of the Target Company shall be adjusted by a supplemental construction agreement satisfactory to the Purchaser. If the Target Project fails to commence full scale operation by 30 June 2016, there shall be adjustment to such payments by reference to the feed-in tariff that the Target Project is eventually eligible for. In addition, the Seller agreed to indemnify the Purchaser in the event that the outstanding liability of the Target Company exceeds RMB283,800,000 on the date of completion.

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 Project and the Group's internal financial analysis of the financial model. The Seller has provided a five-year guarantee on the electricity generation of the Target Project as set out in the section headed "Guarantee on Electricity Generation" below. 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

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 Equity Transfer Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Conditions Precedent

The Acquisition is conditional on fulfillment of following conditions precedent:

- (a) the 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;
- (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;
- (c) the Target Company having obtained filing documents and annual construction directives in 2015 issued by the competent government departments in respect of the Target Project, obtained approval for on-grid connection of the Target Project and the construction work, obtained approval for selling price of electricity to the national grid for the Target Project, entered into grid connection agreement(s) and electricity sale agreement(s) in relation to the Target Project; completed the construction and on-grid connection of the Target Project 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 and, if so required, the equity interest of the Target Company having evaluated by appraisal agent to be engaged jointly by the Purchaser and the Seller, and whose evaluation results having been confirmed by the Purchaser;
- (e) the conducting of on-site due diligence inspection of the Target Company and Target Project 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 contains 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;
- (f) the construction contractor of the Target Project having provided guarantee(s) for the design, equipment, engineering, installation, testing, operation and engineering quality of the Target Project and that, subject to verification by third party inspection institution, the electricity generation rate of the solar power plant will not be less than 80% of design capacity; and the Seller having procured the entering into supplemental agreement(s) or undertakings relating to the construction and equipment supplies to the satisfaction of the Purchaser; appropriate invoices bearing value added tax having been produced for not less than 70% of the total investment of the Target Project;
- (g) the Seller having provided guarantee(s) for the efficiency and volume of electricity generated by the Target Project pursuant to the Electricity Generation Guarantee Agreement for a guarantee period of 5 years;
- (h) the Target Company having entered into agreement(s) with affiliated service provider of the Seller satisfying the Purchaser's requirements in relation to operation and maintenance of the Target Project;
- (i) each of the parties to the Equity Transfer Agreement having obtained their respective internal approvals to the transfer of equity interest in the Target Company;
- (j) the Target Project having satisfied the requirement of the financing institution(s) for the purpose of providing financing; and
- (k) the Seller having complied with all regulatory requirements in respect of the Acquisition.

The Purchaser may proceed with completion notwithstanding one or more of the above conditions is/are not satisfied, and in such case, all outstanding conditions shall survive completion and the Seller shall compensate the Purchaser for all damages arising from the delay or non-performance of any of such conditions.

Guarantee on Electricity Generation

Pursuant to the Electricity Generation Guarantee Agreement, the Seller guarantees and warrants to the Purchaser that (i) the Target Project shall have secured a feed-in tariff of RMB0.95 per KWh; and (ii) for a term of five years starting from the date of on-grid connection, the Target Project should meet the guaranteed annual volume of grid-connected electricity generation as set out in the table below:

Year	1st year	2nd year	3rd year	4th year	5th year
Guaranteed electricity generation (10,000KWh)	5,145	5,103.84	5,065.73	5,026.35	4,987.50

The Seller will pay any shortfall to the Purchaser if (a) the actual annual volume of electricity generation of the Target Project fails to meet the guaranteed annual volume of electricity generation; or (b) the actual feed-in tariff is below the guaranteed feed-in tariff of RMB0.95 per KWh. The Seller agreed that the Target Company may withhold 50% of the fee payable to the affiliate of the Seller by the Target Company under the operation and maintenance agreement in respect of the Target Project to guarantee the due performance of the Electricity Generation Guarantee Agreement by the Seller.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in the PRC on 6 January 2015, and principally engaged in investing, developing and constructing new energy power plants in the PRC. The Target Company owns a solar power plant project with an installed capacity of 35MW located in the Yunnan Province, the PRC.

Based on the unaudited management accounts of the Target Company, for the period from the date of establishment of the Target Company (i.e. 6 January 2015) to 29 February 2016, the unaudited revenue and loss after taxation and extraordinary items of the Target Company was approximately RMB0.1 million and RMB0.45 million, respectively.

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

	As at 29 February 2016 <i>RMB (million)</i> unaudited
Total assets	300
Total liabilities	(270)
Net assets	30

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 plant owned by the Target Company is expected to commence full scale operation by end June 2016, and will start to bring in operating revenue to the Group by then, 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.

THE PREVIOUS ACQUISITIONS

Prior to the entering into of the Equity Transfer Agreement, the Group had completed the acquisitions of a total of 55.6% equity interest in a project company holding a grid-connected solar power plant project with an installed capacity of approximately 19.8MW located in Yunnan Province, the PRC from the same Seller at the total cash consideration of RMB30,600,000 pursuant to the terms of the equity transfer agreements dated 10 December 2015 and 26 January 2016, respectively. The terms of previous acquisitions were negotiated and arrived at after arm's length negotiations on normal commercial terms by reference to various factors, including the initial investment costs by the Seller, the estimated costs of construction and development of the target project and the Group's internal financial analysis of the financial model. The consideration paid under the previous acquisitions was funded by internal resources of the Group.

The previous acquisitions, either on a standalone basis or when aggregated with each other, did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

LISTING RULES IMPLICATIONS

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

When aggregated with the acquisitions of certain equity interest in a project company holding a 19.8MW solar power plant project in Yunnan Province from the same Seller within a twelve-month period, none of the applicable percentage ratios in respect of the Equity Transfer Agreement and the previous equity transfer agreements exceed 25%, all the transactions contemplated under the Equity Transfer Agreement and the previous equity transfer agreements (in aggregate) also 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 Equity Transfer Agreement, the transaction contemplated thereunder may or may not proceed. Shareholders of the Company and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser from the Seller
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, 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

“Electricity Generation Guarantee Agreement”	the electricity generation guarantee agreement dated 22 April 2016 entered into between the Purchaser and the Seller in relation to the guarantee of feed-in tariff and annual volume of electricity generation of the Target Project for a period of five years by the Seller
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 22 April 2016 entered into between the Purchaser and the Seller in relation to the Acquisition
“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”	Changzhou New Light New Energy Limited* (常州新光新能源有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Yunnan Huiguang New Energy Investment Co., Limited* (雲南惠光新能源投資有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Yongren Huiguang Photovoltaics Power Co., Limited* (永仁惠光光伏發電有限公司), a company established in the PRC with limited liability

“Target Project”

a solar power plant of the Target Company which is located in Yunnan Province, the PRC, with an installed capacity of approximately 35MW

“%”

per cent.

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

Hong Kong, 22 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*