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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)

ANNOUNCEMENT

ASSIGNMENT OF THE COOPERATION AGREEMENT RELATING TO 930MW SOLAR POWER PLANT PROJECTS

Reference is made to the announcements of United Photovoltaics Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) dated 13 May 2015 and 15 January 2016 (the “**Announcements**”) in relation to the Cooperation Agreement. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

THE ASSIGNMENT

The Board announces that on 27 January 2016 (after trading hours), the Company, Global High Growth Industries Fund Series SPC acting for and on behalf of the account of China Huacai Finance Equity Investment Fund SP (中國華財金融股權投資基金) (the “**Assignee**”) and Hareon entered into a deed of assignment relating to the Cooperation Agreement (the “**Deed**”), pursuant to which, subject to terms and conditions of the Deed, the Company has agreed to assign and transfer to the Assignee all of the rights, obligations and responsibilities, including the claims under the Cooperation Agreement (the “**Assignment**”) at the consideration of HK\$500 million plus accrued interest as calculated in the manner set out in this announcement (the “**Consideration**”).

THE DEED OF ASSIGNMENT

Date

27 January 2016 (after trading hours)

Parties

Assignor: the Company

Assignee: Global High Growth Industries Fund Series SPC acting for and on behalf of the account of China Huacai Finance Equity Investment Fund SP (中國華財金融股權投資基金)

The Remaining Party: Hareon

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Assignee and Hareon and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

The Company agreed to assign and transfer to the Assignee and the Assignee agreed to take assignment of all of the rights, obligations and responsibilities, including the claims under the Cooperation Agreement. Hareon consented to the Assignment and agreed to observe the terms.

Effective date

The Assignment shall become effective only upon payment of the Consideration by the Assignee in full, and whereupon, the Assignee shall replace the Company to be a party to the Cooperation Agreement and enjoy all the rights of the Company under the Cooperation Agreement and shall bear all the obligations and responsibilities of the Company under the Cooperation Agreement, and the Company shall cease to be a party to the Cooperation Agreement.

Consideration

The Consideration for the Assignment is HK\$500 million plus accrued interest as calculated in the formula set out below. The Consideration shall be settled in the following manner:

- (1) an amount of HK\$150 million shall be settled upon the execution of the Deed (the “**First Instalment Payment**”) and the Company has received the First Instalment Payment as of the date of the Deed;
- (2) an additional amount of HK\$100 million shall be settled within 20 business days (hereafter business day refers to a day on which banks in Hong Kong are open for general banking business, other than a Saturday or a Sunday) from the date of the Deed (the “**Second Instalment Payment**”); and

- (3) a further amount of HK\$250 million plus the accrued interest (the “**Accrued Interest**”) as calculated in the manner as set out below shall be settled on the later of (a) within 40 business days after the execution of the Deed; and (b) the withdrawal of the arbitration claim brought by the Company to the China International Economic and Trade Arbitration Commission against Hareon for, among others, the return of the Advance Payment of HK\$500 million paid under the Cooperation Agreement, the interest accrued thereon and damages for breach of contract and the proceedings for preservation of assets and evidence (collectively, the “**Proceedings**”) by the Company (the “**Third Instalment Payment**”):

$$\text{Accrued Interest} = \text{HK\$150 million} \times 7.5\% \times N1/360 + \text{HK\$100 million} \times 7.5\% \times N2/360 + \text{HK\$250 million} \times 7.5\% \times N3/360$$

N1 = the actual number of calendar days calculated from 11 May 2015 to the date on which the Company receives the First Instalment Payment (both days inclusive)

N2 = the actual number of calendar days calculated from 5 June 2015 to the date on which the Company receives the Second Instalment Payment (both days inclusive)

N3 = the actual number of calendar days calculated from 5 June 2015 to the date on which the Company receives the Third Instalment Payment (both days inclusive)

The Consideration is determined after arm’s length negotiation among the parties with reference to the amount of the Advance Payment that the Company paid to Hareon under the Cooperation Agreement and the cost of funding for the Advance Payment.

Major terms of the Deed

1. Conditional on the Assignee having fully settled the Consideration pursuant to the Deed, the Assignee shall replace the Company to be a party to the Cooperation Agreement and enjoy all the rights of the Company under the Cooperation Agreement and shall bear all the obligations and responsibilities of the Company under the Cooperation Agreement, and the Company shall cease to be a party to the Cooperation Agreement.
2. Hareon shall reimburse the Company all arbitration costs and legal costs in connection with the Proceedings and shall pay the Company a sum in the amount of approximately RMB5,580,515, equivalent to the amount of the arbitration costs and legal costs with respect to the Proceedings (the “**Hareon Settlement**”) up to the date of the Deed within ten business days after the Company has provided Hareon with payment receipts.

3. After the Assignee having paid the Second Instalment Payment and Hareon having fully settled the Hareon Settlement, the Company shall withdraw the Proceedings within five business days after receipt (which shall be extended to fifteen business days due to interruption of services during Chinese New Year). If the Company fails to do so, the Company shall return the First Instalment Payment and Second Instalment Payment to the Assignee.
4. The Company shall release the pledge over the equity interest in the four project companies procured by Hareon as security of the Advance Payment in favour of the Group within 20 business days after receipt of the Consideration and the Hareon Settlement in full and all agreements relating to pre-acquisition arrangement for certain specific projects of Hareon shall be terminated.
5. In the event that the Assignee fails to settle any payment in accordance with the Deed, the Company shall have the right to terminate the Deed and to forfeit the First Instalment Payment, and the Deed shall become null and void from the outset. All the Company's rights and claims under the Cooperation Agreement against Hareon shall not be prejudiced. Under such circumstance, any payment received by the Company under the Deed shall not be considered as settlement of any liabilities owed to the Company by Hareon under the Cooperation Agreement.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT

The Company is an investment holding company and the Group is principally engaged in the development, investment, operation and management of solar power plants.

As disclosed in the Announcement dated 15 January 2016, the Company filed an arbitration application to claim for the return of the Advance Payment paid under the Cooperation Agreement and the interest accrued thereon, and damages for breach of contract. As additional time and costs will be incurred for further procedures to obtain and enforce the arbitral awards, the entering into of the Deed offers an option for the Company to recover the Advance Payment of HK\$500 million plus the incurred interest at the funding cost of the Company within a short period of time and the Group could focus its resources on business development after settlement of the Proceedings.

The Directors (including the independent non-executive Directors) are of the view that the Deed is entered into on normal commercial terms, and the terms of the Assignment contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE ASSIGNEE AND HAREON

Global High Growth Industries Fund Series SPC is a Cayman Islands exempted segregated portfolio company incorporated with limited liability on 13 February 2014 to operate as a private investment fund. China Huacai Finance Equity Investment Fund SP is a sub-fund established by Global High Growth Industries Fund Series SPC.

Hareon is a company with limited liability established under the laws of the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600401) and is engaged in the principal business of manufacturing of crystallized silicon solar cells and solar modules, development, investment and construction of solar power plants. The Company and Hareon entered into the Cooperation Agreement on 13 May 2015. On 15 January 2016 the Company filed an arbitration claim to the China International Economic and Trade Arbitration Commission against Hareon for, among others, the return the Advance Payment of HK\$500 million paid under the Cooperation Agreement, the interest accrued thereon and damages for breach of contract.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Deed is more than 5% but less than 25%, the transaction contemplated under the Deed constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 27 January 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.