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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 31 December 2014 (after trading hours), the Company and COAMI entered into the Framework Agreement, pursuant to which and subject to the entering into of definitive subscription agreement(s), the Company intends to issue and COAMI intends to subscribe for the Convertible Bonds in an aggregate principal amount of US\$30 million (equivalent to approximately RMB186 million or HK\$232.5 million). The net proceeds from the Proposed Subscription will be used to finance the acquisition of the Target Company(ies) owning solar power plants with an aggregate installed capacity of approximately 50MW in China.

As the Parties have not entered into the definitive subscription agreement(s) in relation to the Convertible Bonds, and the final structure and terms of the Convertible Bonds are still subject to further negotiation between the Parties, the Proposed Subscription may or may not materialise and its final structure and terms may deviate from those set out in the Framework Agreement. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company. The Company will comply with relevant disclosure and Shareholders' approval requirements under the Listing Rules as and when appropriate.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Future Ordinance (Cap.571, Laws of Hong Kong).

PROPOSED ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that on 31 December 2014 (after trading hours), the Company and COAMI entered into the Framework Agreement, pursuant to which and subject to the entering into of definitive subscription agreement(s), the Company intends to issue and COAMI intends to subscribe for the Convertible Bonds in an aggregate principal amount of US\$30 million (equivalent to approximately RMB186 million or HK\$232.5 million). The net proceeds from the Proposed Subscription will be used to finance the acquisition of the Target Company(ies) owning solar power plants with an aggregate installed capacity of approximately 50MW in China.

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

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out as follows:

Issuer:	The Company
Subscriber:	COAMI
Principal amount:	the aggregate principal amount of approximately (equivalent to approximately RMB186 million or HK\$232.5 million)
Interest rate:	7.5% per annum payable annually
Maturity date:	3 years from the Closing Date (the "Maturity Date")
Conversion period:	During the period commencing from the date immediately after the end of the sixth month from the Closing Date and ending on the Maturity Date, COAMI is entitled to convert all or part of the Convertible Bonds into Conversion Shares. COAMI shall be obliged to convert all outstanding Convertible Bonds into Conversion Shares upon the demand of the Company in the event that: (i) the closing price per Share as quoted on the Stock Exchange for any 15 consecutive trading days during the first year from the Closing Date is higher than HK\$1.5; or

- (ii) the closing price per Share as quoted on the Stock Exchange for any 15 consecutive trading days during the second year from the Closing Date is higher than HK\$1.8; or
- (iii) the closing price per Share as quoted on the Stock Exchange for any 15 consecutive trading days during the third year from the Closing Date is higher than HK\$2.2.

Conversion Price: HK\$1.03, being the initial conversion price per Conversion Share subject to standard adjustments as set out in the definitive subscription agreement(s)

Redemption: On the Maturity Date, COAMI shall have the right to request the Company to redeem the principal amount of the outstanding Convertible Bonds at 120% of the principal amount thereof within 15 Business Days from the Maturity Date.

Redemption on default: On the occurrence of any of the events of default as set out in the definitive subscription agreement(s), COAMI shall have the right at any time to request the Company to redeem the principal amount of the outstanding Convertible Bonds at the amount as calculated by the following:

$$\text{principal amount of} \\ \text{Convertible Bonds} \times 1.20^{\text{number of years of investment by COAMI}}$$

Security: The Group will pledge the following as security for all amount payable on the Convertible Bonds:

- (i) the right of Target Company(ies) to receive feed-in tariff payments; and
- (ii) the assets of the solar power plant(s) owned by the Target Company(ies).

Conditions precedent: The Proposed Subscription shall be conditional upon:

1. all necessary related legal documents, such as the definitive subscription agreement and pledge agreement, having been entered into;

2. COAMI having conducted due diligent investigation and the results of which having been satisfactory to COAMI;
3. COAMI having obtained all its internal approvals in respect of the Proposed Subscription;
4. the Company having obtained all its internal approvals in respect of the Proposed Subscription; and
5. the Stock Exchange having granted the approval for the listing of and permission to deal in the Conversion Shares.

Nomination of director(s) of the Target Company(ies):

COAMI shall have the right to nominate a person to the board of directors of each of the Target Company(ies).

Others:

COAMI shall have the priority to participate in the investment in the solar power plant projects to be acquired or constructed by the Company if certain conditions are met.

Each party shall bear its own costs and expenses in relation to the Proposed Subscription.

Save for the provisions regarding the confidentiality, costs and expenses and governing law, the Framework Agreement does not constitute a legally-binding commitment of the Parties. As the terms of the Proposed Subscription are still subject to negotiation and finalization, no definitive subscription agreement in relation to the Proposed Subscription has been entered into as at the date of this announcement. The Company will issue further announcement as required by the Listing Rules when the definitive subscription agreement is entered into. In the event that no definitive subscription agreement has been entered into between the Parties within three months from the date of the Framework Agreement, the Framework Agreement shall lapse and automatically terminate.

REASONS FOR THE PROPOSED SUBSCRIPTION

The Group is principally engaged in the development, investment, operation and management of the solar power plants. The Company actively explores the investment opportunity to expand its new energy business in order to broadening the income base of the Group, and thereby enhancing the Group's future financial performance and profitability.

The Board considers that the Proposed Subscription, if materialised, represents a good opportunity for the Group to strengthen its financial position including its ability to meet any future obligations, and broaden the Shareholder's base. The net proceeds from the Proposed Subscription are intended to be used to finance the acquisition of the Target Company(ies) owning solar power plants with an aggregate installed capacity of approximately 50MW in China.

The Directors consider that the terms and condition of the Proposed Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON COAMI

COAMI is an investment holding company incorporated in Hong Kong. It is a wholly-owned subsidiary of China Orient Asset Management Corporation (“COAMC”). Following the approval of the State Council of China and the People’s Bank of China, COAMC was established in Beijing. With a registered capital of RMB10 billion which was fully allocated by the Ministry of Finance, COAMC is a solely state-owned non-banking financial institution.

As of the date of the announcement, COAMI owns 10,000,000 Shares, representing approximately 0.229% of the issued share capital of the Company, and COAMC beneficially owns certain convertible bonds due 2016 in the principal amount of US\$35 million convertible to 169,531,250 Shares upon conversion.

As the Parties have not entered into the definitive subscription agreement(s) in relation to the Convertible Bonds, and the final structure and terms of the Convertible Bonds are still subject to further negotiation between the Parties, the Proposed Subscription may or may not materialise and its final structure and terms may deviate from those set out in the Framework Agreement. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company. The Company will comply with relevant disclosure and Shareholders’ approval requirements under the Listing Rules as and when appropriate.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Closing Date”	the date on which the Convertible Bonds are issued by the Company
“COAMI”	China Orient Asset Management (International) Holding Limited (中國東方資產管理(國際)控股有限公司), a company with limited liability established under the laws of Hong Kong

“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
“Conversion Share(s)”	The new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the proposed 7.5% redeemable three-year convertible bonds in the principal amount of US\$30 million (equivalent to approximately RMB186 million or HK\$232.5 million). to be issued by the Company to COAMI
“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
“Framework Agreement”	the non-binding framework agreement dated 31 December 2014 entered into between the Parties with respect to the Proposed Subscription
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, which equals 1,000,000 watt
“Parties”	the Company and COAMI
“PRC” or “China”	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
“Proposed Subscription”	the proposed subscription for the Convertible Bonds by COAMI
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company(ies)”	the potential project company(ies) owning the solar power plants with an aggregate installed capacity of approximately 50MW in China, the acquisition of which by the Company will be financed by the net proceeds from the issue of Convertible Bonds
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 31 December 2014

In this announcement, the conversion of US dollars into Hong Kong Dollars has been made at a rate of US\$1 to HK\$7.75 and the conversion of US dollars into Renminbi has been made at a rate of US\$1 to RMB6.20. Such conversions 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) and Mr. Lu Zhenwei; the non-executive directors of the Company are Academician Yao Jiannian, Mr. Yang Baiqian and Ms. Qiu Ping, Maggie; 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.