UNITED PHOTOVOLTAICS GROUP LIMITED
聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

VOLUNTARY ANNOUNCEMENT IN RELATION TO THE ACQUISITION OF A MINORITY EQUITY INTEREST IN A 40MW SOLAR POWER PLANT

On 4 September 2014, UP (Changzhou), Huabei Expressway and Jiangsu Yongneng entered into the Sale and Purchase Agreement, pursuant to which Jiangsu Yongneng has conditionally agreed to sell and (i) UP (Changzhou) has conditionally agreed to purchase around 9.37% equity interest in the Target Company for a total cash consideration of RMB7,494,260 (equivalent to approximately HK$9,442,768) and (ii) Huabei Expressway has also conditionally agreed to purchase around 84.31% equity interest in the Target Company for a total cash consideration of RMB67,448,340 (equivalent to approximately HK$84,984,908). Immediately after Completion, the Company's interest in the Target Company (via its subsidiary, UP (Changzhou)) will be around 9.37%.

In connection with the Sale and Purchase Agreement, the Electricity Guarantee Agreement and the Call Option Agreement have also been entered into on the same date, details of which are set out in this announcement.

LISTING RULE IMPLICATIONS

As none of the applicable percentage ratio in respect of the Sale and Purchase Agreement is greater than 5% as calculated under Rule 14.07 of the Listing Rules, the entering into of the Sale and Purchase Agreement does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Notwithstanding the above, the Company wishes to make this voluntary announcement to keep its Shareholders informed of the progress of the Sale and Purchase Agreement.

As Completion is subject to the fulfillment of a number of conditions precedent under the Sale and Purchase Agreement, the transaction may or may not proceed. Therefore, Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

Reference is made to the voluntary announcement of the Company dated 19 August 2014 in relation to the possible acquisition by the Company of a minority equity interest in the Target Company. The Company makes this voluntary announcement to update its Shareholders of the latest development of the acquisition by the Company of the minority equity interest in the Target Company.

The Board is pleased to announce that the Sale and Purchase Agreement, an Electricity Guarantee Agreement and a Call Option Agreement in relation to the above acquisition were entered into on 4 September 2014, details of which are set out below.

THE SALE AND PURCHASE AGREEMENT

Date:

4 September 2014

Parties:

Vendor: Jiangsu Yongneng

Purchasers: (i) UP (Changzhou), and
(ii) Huabei Expressway

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Jiangsu Yongneng and Huabei Expressway and the ultimate beneficial owners of Jiangsu Yongneng and Huabei Expressway, are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Acquisition of equity interest

Pursuant to the Sale and Purchase Agreement, Jiangsu Yongneng has conditionally agreed to sell and (i) UP (Changzhou) has conditionally agreed to purchase around 9.37% equity interest in the Target Company for a total cash consideration of RMB7,494,260 (equivalent to approximately HK$9,442,768), and (ii) Huabei Expressway has also conditionally agreed to purchase around 84.31% equity interest in the Target Company for a total cash consideration of RMB67,448,340 (equivalent to approximately HK$84,984,908).

The remaining 6.32% equity interest in the Target Company will continue to be held by the existing shareholder, Naiman Windpower. The shareholding in the Target Company before and after Completion will be as follows:

Name of Shareholder	Percentage equity interest in Target Company before Completion	Percentage equity interest in Target Company after Completion
Jiangsu Yongneng	93.68%	Nil
Naiman Windpower	6.32%	6.32%
UP (Changzhou)	Nil	9.37%
Huabei Expressway	Nil	84.31%

Payment of Consideration

The Consideration shall be settled by UP (Changzhou) in cash utilising the internal resources of the Group in the following two stages:

(i) 50% of the Consideration (RMB3,747,130), to be paid within 10 Business Days from (and including) the date of the Sale and Purchase Agreement; and

(ii) 50% of the Consideration (RMB3,747,130), to be paid within 10 Business Days from (and including) the date of the completion of the registration of the transfer of the equity interest of the Target Company with the relevant PRC governmental authorities and the obtaining of the updated business license evidencing UP (Changzhou) as a shareholder of the Target Company.

Similarly, Huabei Expressway will also settle its consideration under the Sale and Purchase Agreement in the same manner set out above.

Jiangsu Yongneng has also undertaken to both UP (Changzhou) and Huabei Expressway, among other things, to procure (i) that Naiman Windpower provide a written waiver of its right of participation in any future increase in capital of the Target Company and (ii) that Naiman Windpower will pay up an amount of RMB4,057,400 (approximately HK$5,112,324) as registered capital to the Target Company, failing which, such amount may be applied to reduce the total consideration (RMB74,942,600) payable for the acquisition of the equity interests of the Target Company under the Sale and Purchase Agreement.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations among UP (Changzhou), Huabei Expressway and Jiangsu Yongneng and on normal commercial terms by reference to (i) the registered capital of the Target Company and (ii) the Group's internal financial analysis of the financial model regarding the Target Company.

Conditions Precedent

Completion is conditional upon the fulfillment of the following conditions:

(i) GD Solar Co., Ltd* (國電光伏有限公司) entering into a supplemental agreement to the EPC agreement and quality assurance agreement with the Target Company in relation to the Target Project;

(ii) Jiangsu Yongneng, Naiman Windpower, Huabei Expressway and UP (Changzhou) entering into the Electricity Guarantee Agreement in relation to the electricity to be generated by the Target Project; and

(iii) Naiman Windpower and the Target Company entering into an operation and maintenance contract in relation to the Target Project.

All of the above agreements are in agreed form.

ELECTRICITY GUARANTEE AGREEMENT

As part of the transactions contemplated under the Sale and Purchase Agreement, the Electricity Guarantee Agreement was also entered into as set out below:

Date:

4 September 2014

Parties:

(1) Huabei Expressway

(2) UP (Changzhou)

(3) Naiman Windpower

(4) Jiangsu Yongneng

Pursuant to the Electricity Guarantee Agreement, Jiangsu Yongneng as the vendor and Naiman Windpower as the provider of operation and maintenance services jointly undertake to Huabei Expressway and UP (Changzhou) that the electricity generated by the Target Project will meet the annual electricity generation targets as set out below for a period of 20 years commencing from the date of commencement of operations of the Target Project. Jiangsu Yongneng guarantees the obligations of Naiman Windpower under the Electricity Guarantee Agreement.

Year of Operation	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year	Seventh Year	Eighth Year	Ninth Year	Tenth Year
Unit of electricity (10,000 KWh)	6,400.00	6272.00	6223.36	6175.36	6127.36	6080.00	6014.72	5950.08	5886.08	5822.72

Year of Operation	Eleventh Year	Twelfth Year	Thirteenth Year	Fourteenth Year	Fifteenth Year	Sixteenth Year	Seventeenth Year	Eighteenth Year	Nineteenth Year	Twentieth Year
Unit of electricity (10,000 KWh)	5760.00	5712.00	5664.00	5616.64	5569.28	5522.56	5476.48	5430.40	5384.96	5340.16

Compensation for any shortfall in the electricity generated in any year shall be deducted by the Target Company from the operation and maintenance fee of the subsequent year payable to Naiman Windpower and shall be calculated as follows:

Compensation Payable = (A – B – C) x D – E

Where:

"**A**" refers to the guaranteed amount of electricity in the relevant year.

"**B**" refers to the actual amount of electricity generated in the relevant year.

"**C**" refers to the amount of electricity reduced by brownout due to state policies.

"**D**" refers to the state tariff after tax on electricity prices the Target Company is eligible to receive for that relevant year (including the local prevailing benchmark feed-in tariff for desulfurized coal-fired power plants and nationwide feed-in tariff surcharge for renewable energy).

"**E**" refers to the compensation income due to the shortfall in the electricity generated in that relevant year by other party.

CALL OPTION AGREEMENT

A Call Option Agreement was also separately entered between UP (Changzhou) and Huabei Expressway as set out below:

Date:

4 September 2014

Parties:

(1) Huabei Expressway

(2) UP (Changzhou)

Pursuant to the Call Option Agreement, Huabei Expressway has granted a call option to UP (Changzhou) to acquire part of the equity interest in the Target Company held by Huabei Expressway.

The Call Option may be exercised by UP (Changzhou) within three months from the end of the Call Option Maturity Period. The exercise of the Call Option is at UP (Changzhou)'s discretion, thus there is no obligation on UP (Changzhou) to exercise the Call Option or to acquire any equity interest in the Target Company from Huabei Expressway. UP (Changzhou) does not need to pay any premium upon being granted the Call Option.

Price of the Call Option

The price to be paid by UP (Changzhou) upon the exercise of the Call Option shall be determined in accordance with the following formula:

[(A + B) – C] x [Amount of equity interest to be acquired/Total equity interest held by Huabei Expressway]

Where:

"**A**" refers to the amount paid by Huabei Expressway for the equity interest in the Target Company under the Sale and Purchase Agreement, plus or minus any increase or reduction in capital contributed to the Target Company by Huabei Expressway during the Call Option Maturity Period (as the case may be).

"**B**" refers to the amount derived as follows:

A x 8% x (Number of days lapsed between date of completion of the registration of the transfer of the equity interest of the Target Company in accordance with the Sale and Purchase Agreement, divided by 365)

"**C**" refers to any dividend paid to and received by Huabei Expressway from the Target Company within the Call Option Maturity Period (as the case may be).

Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules in the event the Call Option is exercised.

Undertakings

Pursuant to the Call Option Agreement, during the Call Option Maturity Period both UP (Changzhou) and Huabei Expressway have undertaken:

(i) not to transfer any equity interest in the Target Company; and

(ii) to increase or reduce its registered capital contribution in the Target Company upon any increase or reduction of the registered capital by the Target Company so as to maintain its shareholding proportion in the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the PRC on 19 August 2013 and is principally engaged in photovoltaic power generation, technical support and information consulting. As at the date of this announcement, the Target Company is held as to 93.68% and 6.32% by two shareholders, namely Jiangsu Yongneng and Naiman Windpower, respectively.

As at the date of this announcement, the Target Company owns the Target Project, being a ground-based solar power plant project located in Keerqinzuoyihouqi, Inner Mongolia Autonomous Region, China with an aggregate installed capacity of 40MW which has achieved on-grid connection.

Set out below is a summary of the key financial data of the Target Company as extracted from its management accounts prepared by the Target Company in accordance with the Accounting System for Business Enterprises in the PRC.

	For the year ended 31 December 2013	**For the six months ended 30 June 2014**
	RMB	*RMB*
	(Audited)	(Unaudited)
Assets and liabilities		
Total assets	328,326,443.01	377,163,005.08
Total liabilities	248,479,903.49	279,904,491.79
Net assets	79,846,539.52	97,225,020.49
Result		
Revenue	0.00	26,139,261.45
Operating profit (loss)	(153,460.48)	17,225,020.49
Net profit (loss)	(153,460.48)	17,225,020.49

INFORMATION ON THE COMPANY AND UP (CHANGZHOU)

The Company is an investment holding company and engaged in the development, investment, operation and management of the solar power plants through its subsidiaries. UP (Changzhou) is an indirect wholly-owned subsidiary of the Company principally engaged in investment, construction, operation, maintenance and management of solar power plants.

INFORMATION ON HUABEI EXPRESSWAY AND JIANGSU YONGNENG

Huabei Expressway was incorporated in the PRC on 20 July 1999 and is principally engaged in the investment and development, construction, and operation of expressway tolls. Huabei Expressway is listed on the Shenzhen Stock Exchange under stock code 000916. To the best knowledge of the Directors, Huabei Expressway is indirectly owned as to 26.82% by China Merchants Group Limited, the holding company of a substantial Shareholder.

Based on publicly available information to the Company, Jiangsu Yongneng is engaged in the business of selling of photovoltaic materials, solar power plant equipment and accessories and designing of solar power plants in the PRC.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the provision of solar energy products and solutions and development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity in solar power plants with good prospects and potential for stable returns.

The Directors consider that the Target Company and the Target Project show good investment prospectus. Furthermore, the acquisition of the minority stake in the Target Company with the option to acquire additional equity interest in the Target Company pursuant to the Call Option Agreement, will enable the Group to have more control over its investment strategy in the Target Company and overall aim of expanding its scale of power business in the solar energy sector and enhance the return to the Shareholders. The Directors consider that the terms of the Sale and Purchase Agreement, the Electricity Guarantee Agreement and the Call Option Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratio in respect of the Sale and Purchase Agreement is greater than 5% as calculated under Rule 14.07 of the Listing Rules, the entering into of the Sale and Purchase Agreement does not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment of a number of conditions precedent under the Sale and Purchase Agreement, the transaction may or may not proceed. Therefore, Shareholders 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 expressions shall have the following meanings when used herein:

"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in China
"Call Option"	the call option granted to UP (Changzhou) under the Call Option Agreement whereby UP (Changzhou) is entitled to, at its discretion, acquire part of equity interest in the Target Company from Huabei Expressway in accordance with the terms of the Call Option Agreement
"Call Option Agreement"	the call option agreement dated 4 September 2014 entered into between UP (Changzhou) and Huabei Expressway pursuant to which, Huabei Expressway has agreed, among other things, to grant UP (Changzhou) the Call Option
"Call Option Maturity Period"	the period commencing from the date of completion of the registration of the transfer of the equity interest of the Target Company in accordance with the Sale and Purchase Agreement until the third anniversary thereof
"China" or "PRC"	the People's Republic of China
"Company"	United Photovoltaics Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the date when completion of the Sale and Purchase Agreement takes place in accordance with the provisions therein
"Consideration"	a total cash consideration of RMB7,494,260 (equivalent to approximately HK$9,442,768) payable by UP (Changzhou) for the purchase of the 9.37% equity interest in the Target Company under the Sale and Purchase Agreement
"Director(s)"	director(s) of the Company
"EPC"	engineering, procurement and construction

"Electricity Guarantee Agreement"	the electricity guarantee agreement dated 4 September 2014 entered into between UP (Changzhou), Huabei Expressway, Naiman Windpower and Jiangsu Yongneng relating to the guarantee of electricity generation by the Target Project for a period of 20 years commencing from the date of commencement of operations of the Target Project
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huabei Expressway"	Huabei Expressway Co., Ltd.* (華北高速公路股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange
"Jiangsu Yongneng"	Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司), a company established in the PRC with limited liability
"KWh"	kilowatt hour, 1,000 watt per hour
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt(s), 1,000,000 watt
"Naiman Windpower"	Guodian Naiman Windpower Company Limited* (國電奈曼風電有限公司), a company established in the PRC with limited liability
"RMB"	Renminbi, currency of PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 4 September 2014 entered into among Jiangsu Yongneng, UP (Changzhou) and Huabei Expressway relating to, among other things, the sale and purchase of equity interest in the Target Company
"Shareholders"	holder(s) of the issued shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Guodian Kezuohouqi Photovoltaics Company Limited* (國電科左後旗光伏發電有限公司), a company established in the PRC with limited liability

"Target Project"	a ground-based solar power plant project owned by the Target Company located in Keerqinzuoyihouqi, Inner Mongolia Autonomous Region, China with an aggregate installed capacity of 40MW which has achieved on-grid connection.
"UP (Changzhou)"	United Photovoltaics (Changzhou) Investment Co., Ltd.* (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
"%"	per cent

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

Hong Kong, 5 September 2014

In this announcement, the conversion of RMB into Hong Kong dollars have been made at a rate of RMB1 to HK$1.26. Such conversion are for reference only and should not be construed as representations that the RMB amount could be converted into Hong Kong dollars at that 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.

* *For identification purposes only*