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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 TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF 40MW SOLAR POWER PLANT PROJECTS IN THE PRC AND PROVISION OF FINANCIAL ASSISTANCE TO THE PROJECTS

THE ACQUISITIONS AND THE FINANCIAL ASSISTANCE

The Board is pleased to announce that on 1 December 2015 (after trading hours), UP (Changzhou), a wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with the Seller, whereby UP (Changzhou) has conditionally agreed to acquire the entire equity interests in (i) Wujiaqu Lishang, which owns a solar power plant project with an aggregate installed capacity of approximately 20MW located in Wujiaqu, Xinjiang Uyghur Autonomous Region, the PRC; and (ii) Tangshan Zhaoxin, which owns a solar power plant project with an aggregate installed capacity of approximately 20MW located in Tangshan, Hebei Province, the PRC.

Furthermore, pursuant to the Cooperation Agreement, UP (Changzhou) agreed to provide assistance to the Seller and/or the Target Companies to obtain financing for the construction and development of the solar power plant projects owned by the Target Companies prior to the completion of the Acquisition Agreements.

LISTING RULES IMPLICATIONS

As the Acquisition Agreements involve the proposed acquisitions of the Target Companies which are both owned by the Seller, the Acquisition Agreements, together with the Cooperation Agreement which relates to the provision of financial assistance by the Group to the Seller and/or the Target Companies, are aggregated for the purpose of classification of transactions in accordance with Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition Agreements and the Cooperation Agreement, when aggregated with each other, is more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreements and the Cooperation Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Completion of the Acquisitions is subject to the fulfilment of a number of conditions precedent in the Acquisition Agreements, and the transactions contemplated thereunder may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITIONS

The Wujiaqu Acquisition Agreement

Date

1 December 2015

Parties

Seller: Zhaoxin Energy Investment (Shanghai) Co., Ltd.* (招新能源投資(上海)有限公司)

Purchaser: UP (Changzhou)

Equity interest and the plant to be acquired

Pursuant to the Wujiaqu Acquisition Agreement, subject to the fulfilment of certain conditions precedent therein, UP (Changzhou) has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire equity interest in Wujiaqu Lishang.

Wujiaqu Lishang owns a solar power plant project with an aggregate installed capacity of approximately 20MW located in Wujiaqu, Xinjiang Uyghur Autonomous Region, the PRC. The Wujiaqu Plant is expected to achieve on-grid connection and commence operation by the end of December 2015. Please refer to the paragraph headed “Financial information of the Target Companies” below for further information of Wujiaqu Lishang.

Consideration

The consideration for the acquisition of Wujiaqu Lishang shall not exceed RMB178,000,000 (subject to adjustments set out below), which shall be settled by UP (Changzhou) in cash by two instalments as follows:

- (a) RMB40,000,000, as the refundable pre-payment, is payable within 10 business days after the signing of the Wujiaqu Acquisition Agreement; and
- (b) RMB138,000,000 (subject to adjustments set out below), being the remaining balance of the consideration, shall be payable upon completion of the Wujiaqu Acquisition Agreement.

If the Wujiaqu Acquisition Agreement is not completed by 30 June 2016 (or such other date as agreed by the parties), the Seller shall refund the pre-payment of RMB40,000,000 to UP (Changzhou) together with interest accrued from the date of payment up to the date of refund at the benchmark lending rate of the same term given by the People's Bank of China for Renminbi loans, and the Wujiaqu Acquisition Agreement shall be terminated with immediate effect upon UP (Changzhou)'s receipt of such refund.

The consideration is subject to downward adjustment with reference to the total debt amount incurred by Wujiaqu Lishang for the construction and development of the Wujiaqu Plant up to the date of completion of the Acquisition, including the loan procured by UP (Changzhou) pursuant to the Cooperation Agreement, the costs of land, EPC costs, costs of on-grid connection, estimated operating costs of the Wujiaqu Plant, and the projected financial model of the Wujiaqu Plant as discussed and agreed between UP (Changzhou) and the Seller. As Wujiaqu Lishang has incurred or will incur substantial amount of debt due to the aforesaid costs, it is excepted that a substantial part of the consideration will be settled by way of assumption of the debt of Wujiaqu Lishang by the Group upon completion, and the balance amount of the consideration will be reduced accordingly. The consideration will be funded by the internal resources of the Group and external financing.

The Tangshan Acquisition Agreement

Date

1 December 2015

Parties

Seller: Zhaoxin Energy Investment (Shanghai) Co., Ltd.* (招新能源投資(上海)有限公司)

Purchaser: UP (Changzhou)

Equity interest and the plant to be acquired

Pursuant to the Tangshan Acquisition Agreement, subject to the fulfilment of certain conditions precedent therein, UP (Changzhou) has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire equity interest in Tangshan Zhaoxin.

Tangshan Zhaoxin owns a solar power plant project with an aggregate installed capacity of approximately 20MW located in Tangshan, Hebei Province, the PRC. The Tangshan Plant is expected to achieve on-grid connection and commence operation in the first quarter of 2016. Please refer to the paragraph headed “Financial information of the Target Companies” below for further information of Tangshan Zhaoxin.

Consideration

The consideration for the acquisition of Tangshan Zhaoxin shall not exceed RMB178,000,000 (subject to adjustments set out below), which shall be settled by UP (Changzhou) in cash by two instalments as follows:

- (a) RMB40,000,000, as the refundable pre-payment, is payable within 10 business days after the signing of the Tangshan Acquisition Agreement; and
- (b) RMB138,000,000 (subject to adjustments set out below), being the remaining balance of the consideration, shall be payable upon completion of the Tangshan Acquisition Agreement.

If the Tangshan Acquisition Agreement is not completed by 30 June 2016 (or such other date as agreed by the parties), the Seller shall refund the pre-payment of RMB40,000,000 to UP (Changzhou) together with interest accrued from the date of payment up to the date of refund at the benchmark lending rate of the same term given by the People’s Bank of China for Renminbi loans, and the Tangshan Acquisition Agreement shall be terminated with immediate effect upon UP (Changzhou)’s receipt of such refund.

The consideration is subject to downward adjustment with reference to the total debt amount incurred by Tangshan Zhaoxin for the construction and development of the Tangshan Plant up to the date of completion of the Acquisition, including the loan procured by UP (Changzhou) pursuant to the Cooperation Agreement, the costs of land, EPC costs, costs of on-grid connection, estimated operating costs of the Tangshan Plant, and the projected financial model of the Tangshan Plant as discussed and agreed between UP (Changzhou) and the Seller. As Tangshan Zhaoxin has incurred or will incur substantial amount of debt due to the aforesaid costs, it is excepted that a substantial part of the consideration will be settled by way of assumption of the debt of Tangshan Zhaoxin by the Group upon completion, and the balance amount of the consideration will be reduced accordingly. The consideration will be funded by the internal resources of the Group and external financing.

Conditions Precedent

The completion of the Acquisitions is conditional on the fulfilment of following conditions precedent:

- (a) the relevant Target Company having been duly established and existing and having obtained all the requisite approvals, licenses and permits concerning its operation;
- (b) the relevant Target Company having been the sole legal entity for the initial development, investment, construction and operation of the Wujiaqu Plant and the Tangshan Plant (as the case may be), and beneficially owns the assets and rights of the relevant project;
- (c) the relevant Target Company having obtained filing documents and annual construction directives issued by the competent government departments, approval to connect the Wujiaqu Plant and the Tangshan Plant (as the case may be) to the national grid, having completed the construction and on-grid connection of the respective project and commenced electricity generation;
- (d) the EPC contractor engaged by the relevant Target Company having met the requirements of UP (Changzhou), the EPC contractor having provided guarantee(s) for the design, equipment, engineering, installation, testing, operation and engineering quality of the Wujiaqu Plant and the Tangshan Plant (as the case may be), and the Seller having procured the entering into a supplemental agreement to the EPC contract to the satisfaction of UP (Changzhou);
- (e) UP (Changzhou) having been responsible for the sourcing and provision of the solar plant modules and equipment for the construction of the Wujiaqu Plant and the Tangshan Plant (as the case may be), the costs of the procurement by UP (Changzhou) shall be set-off against the consideration for the relevant Acquisition (if so required);
- (f) a third-party technical inspection association (TUV) jointly engaged by UP (Changzhou) and the Seller having completed the inspection and assessment of the quality and performance of the Wujiaqu Plant and the Tangshan Plant (as the case may be), and issued an inspection report which shows the performance of the relevant plant meets the industry requirements;
- (g) the Seller having provided UP (Changzhou) with the financial statements of the relevant Target Company, which is complete, true and accurate and the equity interest of the Target Company having evaluated by an independent appraisal agent to be engaged by UP (Changzhou) and the Seller, and whose evaluation results having been confirmed by UP (Changzhou);
- (h) the conducting of on-site due diligence inspection of the relevant Target Company, the Wujiaqu Plant and the Tangshan Plant (as the case may be) by the intermediaries designated by UP (Changzhou) and the due diligence reports (including, but not limited to, legal, technical and financial due diligence reports) issued by such intermediaries containing no material adverse opinion, or, if issues are identified in such reports, the parties having reached supplementary agreements that would meet the requirements of UP (Changzhou) and/or having reached mutual consent as to the resolving of such issues;

- (i) each of the parties to the relevant Acquisition Agreement having obtained its respective internal approvals, consent, waiver or authorisation for the transfer of equity interest in the relevant Target Company, including that of the regulators governing the listing matters;
- (j) if any of the Target Companies, the relevant solar power plant project, or the signing of any agreement or document by the relevant Target Company which has a binding legal effect requires the approval or consent of any counter party or third party, which will affect the eligibility of the relevant Target Company to any government grant or subsidy, the obtaining of such approval or consent;
- (k) the Seller having paid up the registered capital of the relevant Target Company as required by UP (Changzhou) (if so required); and
- (l) the Wujiaqu Plant and the Tangshan Plant (as the case may be) having satisfied the requirement of the financing institution(s) for the purpose of providing financing.

Completion of each of the Acquisitions is independent of each other, and the parties may proceed to completion of any of the Acquisition Agreements even if the other Acquisition Agreement is not completed according to its terms and conditions.

PROVISION OF FINANCIAL ASSISTANCE

The Cooperation Agreement

Date

1 December 2015

Parties

The Seller and UP (Changzhou)

Financial assistance to be provided by UP (Changzhou)

As the Seller and the Target Companies do not currently meet the conditions to obtain financing as generally required by banks and financial institutions in the PRC, in connection with the proposed Acquisitions, UP (Changzhou) has agreed to assist the Seller in obtaining financing to the Target Companies for the construction and development of the Wujiaqu Plant and the Tangshan Plant pursuant to the Cooperation Agreement.

UP (Changzhou) shall assist the Seller to obtain project financing (or any other forms of loans and financing) from banks and financial institutions in an aggregate loan amount not exceeding RMB257,000,000, the proceeds of which will be provided to the Target Companies and be utilised for the construction and development of the Wujiaqu Plant and the Tangshan Plant by the Target Companies. The Seller undertakes that all the proceeds from the financing procured by UP (Changzhou) shall be solely used in the construction, development and operation of the Wujiaqu Plant and the Tangshan Plant but not for any other purpose.

The Seller shall pledge the equity interest of the Target Companies to the banks and financial institutions as securities for the financing. Upon request by the banks and financial institutions, UP (Changzhou) and the Company may also provide other forms of guarantee or securities for the purpose of obtaining the financing.

All the costs and expenses incurred by UP (Changzhou) in obtaining such financing shall be borne by the Seller, and the Seller shall be liable to UP (Changzhou) for all the debts and financial obligations under the relevant financing. The Seller and/or the Target Companies shall repay all such outstanding loans and interests upon demand of repayment by the banks or financial institutions, and shall indemnify UP (Changzhou) of any losses incurred by it pursuant to the financing documents arising out of any breach of the Seller and/or the Target Companies.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

Each of the Target Companies had recorded a net loss for the period from its respective date of establishment to 31 October 2015 as the respective solar power plant is in construction stage which had not yet generated any revenue or profit. Based on the unaudited management accounts of the Target Companies, the unaudited loss of the Target Company before and after taxation and extraordinary items are set out below:

	Revenue <i>(RMB)</i>	Net loss (before taxation) <i>(RMB)</i>	Net loss (after taxation) <i>(RMB)</i>
Wujiaqu Lishang (for the period from April 2015 to 31 October 2015)	Nil	Nil	Nil
Tangshan Zhaoxin (for the period from June 2015 to 31 October 2015)	Nil	2,568	2,568

Based on the unaudited management accounts of the Target Companies, as at 31 October 2015, the financial position of the Target Companies are set out below:

	Total assets (RMB)	Total liabilities (RMB)	Net assets (RMB)
Wujiaqu Lishang (as at 31 October 2015)	20,357,358	10,357,358	10,000,000
Tangshan Zhaoxin (as at 31 October 2015)	2,185,521	88,089	2,097,432

REASONS AND BENEFIT FOR THE ACQUISITIONS

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 considered that the Wujiaqu Plant and the Tangshan Plant are expected to achieve on-grid connection in around the end of December 2015 and the first quarter of 2016, respectively, and will start to bring in operating revenue to the Group by then, the Directors are of the view that the Acquisitions 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 consideration of the Acquisitions was arrived at after arm's length negotiations between UP (Changzhou) and the Seller with reference to various factors, including the registered capital of the Target Companies and the initial investment costs by the Seller, the estimated costs of the construction and development of the Wujiaqu Plant and the Tangshan Plant.

In the view that the Wujiaqu Plant and the Tangshan Plant are at their construction stage, the Target Companies are in need of capital to complete construction of the relevant plants. As part of the agreed terms for the Seller to sell the Target Companies to the Group, the Directors consider it appropriate to financially support the Target Companies by way of arranging for bank loans with commercial banks in the PRC, the entire proceeds of which will be applied towards the construction and development of the Wujiaqu Plant and the Tangshan Plant. The Directors consider it in the Company's interest to provide financial support to the Target Companies at current stage.

Having considered the above reasons and factors, the Directors are of the view that the Acquisitions and the provision of the financial assistance to the Target Companies under the Cooperation Agreement are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PARTIES TO THE ACQUISITION AGREEMENTS

The Company

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

The Seller

The Seller is a limited company incorporated in the PRC, which is principally engaged in the business of investment, planning, construction and operation of solar power plants in the PRC. It is the holding company of a number of project companies seeking or having interests in power plants in the PRC, which include the Target Companies.

The Company is indirectly interested in 20% of the equity interest of the Seller. China Merchants Group Limited* (招商局集團有限公司), the ultimate holding company of a substantial shareholder of the Company, China Merchants New Energy Group Limited, is indirectly interested in approximately 20.33% of New Energy Exchange Limited, the indirect holding company of the Seller. Certain directors of the Company and subsidiaries of the Company are indirectly holding minority interests in the Seller. Other than as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As the Acquisition Agreements involve the proposed acquisitions of the Target Companies which are both owned by the Seller, the Acquisition Agreements, together with the Cooperation Agreement which relates to the provision of financial assistance by the Group to the Seller and/or the Target Companies, are aggregated for the purpose of classification of transactions in accordance with Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition Agreements and the Cooperation Agreement, when aggregated with each other, is more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreements and the Cooperation Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Completion of the Acquisitions is subject to the fulfilment of a number of conditions precedent in the Acquisition Agreements, and the transactions contemplated thereunder may or may not proceed. Shareholders of the Company and potential investors should 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 Agreements”	the Wujiaqu Acquisition Agreement and the Tangshan Acquisition Agreement, and “Acquisition Agreement” shall mean any one of them
“Acquisitions”	the proposed pre-acquisitions of the entire equity interests of Wujiaqu Lishang and Tangshan Zhaoxin pursuant to the Acquisition Agreements, and “Acquisition” shall mean any one of them
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the PRC
“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
“Cooperation Agreement”	the agreement dated 1 December 2015 entered into between UP (Changzhou) and the Seller in relation to the financing arrangements with respect to the Target Companies prior to completion of the Acquisitions
“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts, which equals 1,000,000 watts

“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Zhaoxin Energy Investment (Shanghai) Co., Ltd.* (招新能源投資(上海)有限公司), a company established in the PRC with limited liability
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tangshan Acquisition Agreement”	the agreement dated 1 December 2015 entered into between UP (Changzhou) and the Seller in relation to the proposed pre-acquisition of the entire equity interest of Tangshan Zhaoxin
“Tangshan Plant”	a solar power plant project with an aggregate installed capacity of approximately 20MW located in Tangshan, Hebei Province, the PRC owned by Tangshan Zhaoxin
“Tangshan Zhaoxin”	Tangshan Zhaoxin Solar Power Co., Ltd.* (唐山招新太陽能發電有限公司), a company established in the PRC with limited liability and wholly-owned by the Seller
“Target Companies”	Wujiaqu Lishang and Tangshan Zhaoxin, and “Target Company” shall mean any of them
“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
“Wujiaqu Acquisition Agreement”	the agreement dated 1 December 2015 entered into between UP (Changzhou) and the Seller in relation to the proposed pre-acquisition of the entire equity interest of Wujiaqu Lishang
“Wujiaqu Lishang”	Wujiaqu Lishang Photovoltaics Power Co., Ltd.* (五家渠利商光伏電力有限公司), a company established in the PRC with limited liability and wholly owned by the Seller

“Wujiaqu Plant” a solar power plant project with an aggregate installed capacity of approximately 20MW located in Wujiaqu, Xinjiang Uyghur Autonomous Region, the PRC owned by Wujiaqu Lishang

“%” per cent.

In this announcement, unless the context requires otherwise, the terms “connected person(s)”, “percentage ratio(s)”, “substantial shareholder(s)” and subsidiary(ies)”, shall have the meanings given to such terms in the Listing Rules.

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

Hong Kong, 1 December 2015

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. Yang Baiqian; 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*