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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 FINANCE LEASE AGREEMENT

THE FINANCE LEASE AGREEMENT

On 27 February 2014 (after trading hours), the Company entered into the Finance Lease Agreement with Zhongxing Leasing Company, pursuant to which, Zhongxing Leasing Company has agreed to purchase the Equipments from the Supplier in accordance with the requirements of the Company and lease the Equipments to the Company for a term of 12 years at an aggregate consideration of approximately US\$148,970,000 (equivalent to approximately HK\$1,154,517,000). The period of lease will commence from the date of settlement of the first payment of the consideration under the Purchase Agreement by Zhongxing Leasing Company, which shall occur within 15 working days upon the receipt of the total sum of US\$24,200,000 (equivalent to approximately HK\$187,550,000) by Zhongxing Leasing Company from the Company.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Finance Lease Agreement is greater than 5% and less than 25%, as calculated under Rule 14.07 of the Listing Rules, the entering into of the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the announcement but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders of the Company and/or investors should note that the Finance Lease Agreement has not yet become effective as no confirmation letter in respect of the effectiveness of the Finance Lease Agreement has been executed between the parties. Accordingly, shareholders of the Company and/or investors are advised to exercise caution when dealing in the shares of the Company.

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Date

27 February 2014

Parties

Lessor: Zhongxing Leasing Company

Lessee: the Company

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

Lease period

12 years commencing from the date of settlement of the first payment of the consideration under the Purchase Agreement by Zhongxing Leasing Company, which shall occur within 15 working days upon the receipt of the total sum of US\$24,200,000 (equivalent to approximately HK\$187,550,000) by Zhongxing Leasing Company from the Company. During the lease period, the Company shall not terminate the Finance Lease Agreement.

Finance amount payments and principal terms

Pursuant to the Finance Lease Agreement, Zhongxing Leasing Company has agreed to purchase the Equipments from the Supplier in accordance with the requirements of the Company and lease the Equipments to the Company at an aggregate consideration of approximately US\$148,970,000 (equivalent to approximately HK\$1,154,517,000), which shall be paid by the Company to Zhongxing Leasing Company.

The parties agreed that except for the right of ownership and the obligation of payment, the Company shall assume all rights and obligations of Zhongxing Leasing Company under the Purchase Agreement, including the right to claim against the Supplier for indemnifications and the right to receive the Equipments directly from the Supplier.

The Finance Lease Agreement shall become effective upon the execution of the confirmation letter in respect of the effectiveness of the Finance Lease Agreement by the parties and the receipt of the total sum of US\$33,630,000 (equivalent to approximately HK\$260,633,000), being the down payment of US\$24,200,000, a refundable security deposit of US\$5,140,000 and a non-refundable handling fee of US\$4,290,000 as agreed between the parties by Zhongxing Leasing Company. Such security deposit bears no interest and will be used as payment for overdue rent. The above sum of US\$33,630,000 shall be paid by the Company within three days from the date of the confirmation letter in respect of the effectiveness of Finance Lease Agreement.

The aggregate rental payment of approximately US\$120,480,000 (equivalent to approximately HK\$933,719,000), which includes a total interest of approximately US\$34,680,000 (equivalent to approximately HK\$268,769,000), shall be payable in 24 equal consecutive half-year installments by the Company to Zhongxing Leasing Company over the lease period. The interest payment to be paid by the Company is calculated based on the LIBOR lending rate plus 550 basis points and subject to adjustment with reference to the change of the LIBOR lending rate during the lease period.

As at the date of this announcement, the book value of the Equipments is US\$110,000,000 (equivalent to approximately HK\$852,500,000).

The rent and the interest rate were determined after arm's length negotiations between the Company and Zhongxing Leasing Company with reference to the prevailing market practice.

Ownership of the Equipments

During the term of lease, the ownership of the Equipments lies with Zhongxing Leasing Company; upon expiry of the term of lease, the ownership (without any title defects) of the Equipments shall be transferred to the Company after the Company pays the purchase price of US\$100 to Zhongxing Leasing Company.

Guarantee

Subject to definitive contracts, the payment obligations of the Company under the Finance Lease Agreement will be guaranteed by the Company and secured by way of pledge of the assets of certain solar power plant(s) of the Company (“Pledged Power Plant(s)”) and the right to income generated by the Pledged Power Plant(s). Details of such guarantee and pledge will be set out in the relevant agreements to be entered into among Zhongxing Leasing Company, the Company and the holding company of the Pledged Power Plant(s). Further announcement in respect of the guarantee and pledge will be made by the Company in compliance with the Listing Rules as and when appropriate.

PURCHASE AGREEMENT

On 27 February 2014, the Purchase Agreement has been entered into among Zhongxing Leasing Company, the Supplier and the Company, pursuant to which the Supplier will sell and Zhongxing Leasing Company will purchase the Equipments at a consideration of US\$110,000,000 (equivalent to approximately HK\$852,500,000). The effectiveness of the Purchase Agreement is conditional upon the Finance Lease Agreement becoming effective.

Pursuant to the Purchase Agreement, the Equipments will be delivered to the Company directly and the following rights have been granted to the Company:

- (i) in the event that the Equipments fail to meet the specifications as provided in the Purchase Agreement on the acceptance examination, the Company is entitled to request the Supplier to carry out the rectification works within a specified timeframe or claim against the Supplier for indemnifications;
- (ii) the Supplier shall deliver directly to the Company the documents in respect of the Equipments, such as the product certifications, handbooks and warranties; an agreement in respect of the qualities warranties and maintenance of the Equipments will be entered into between the Company and the Supplier;
- (iii) during the lease period, the Company is entitled to claim against the Supplier for indemnifications if there are any quality problems in respect of the Equipments; and
- (iv) in the event that the Supplier fails to deliver the Equipments to the Company within the timeframe as stipulated in the Purchase Agreement, the Company is entitled to liquidated damages from the Supplier in the amount of 0.3% of the value of the relevant Equipments for each day up to 20% of the value of the relevant Equipments.

REASONS AND BENEFITS FOR FINANCE LEASE AGREEMENT

The Company entered into the Finance Lease Agreement in order to finance its solar power plant projects. The Directors have been considering various ways of financing for the rapid growth of the Group. As an alternative of the financing, this transaction allows the Company access to long-term capital assistance necessary for its operation, and has no material impact on the actual operation of the Company. The Directors are of the view that the terms in respect of the Finance Lease Agreement are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON ZHONGXING LEASING COMPANY

Zhongxing Leasing Company is principally engaged in financial leasing business.

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DEFINITIONS

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

“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company

“Equipments”	polycrystalline silicon modules supplied by the Supplier to be used in the solar power plants in the PRC
“Finance Lease Agreement”	the finance lease agreement dated 27 February 2014 entered into between the Company and Zhongxing Leasing Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, which equals 1,000,000 watts
“PRC”	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
“Purchase Agreement”	the purchase agreement in respect of the sale and purchase of the Equipments dated 27 February 2014 entered into among the Supplier, Zhongxing Leasing Company and the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	an independent third party, a company established in the PRC with limited liability
“US\$”	the lawful currency of the United States
“Zhongxing Leasing Company”	United Group Facilities Leasing Co., Ltd. (中興聯合設備租賃有限公司), a company incorporated in Hong Kong with limited liability

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

Hong Kong, 27 February 2014

In this announcement, the conversion of US\$ into Hong Kong dollars have been made at a rate of US\$1 to HK\$7.75. Such conversion are for reference only and should not be construed as representations that the US\$ 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, Ms. Qiu Ping, Maggie and Mr. Wu Zhenmian; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.