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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)**

### **CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE**

Reference is made to the announcement of the Company dated 23 January 2015 in relation to, among other things, the entering into of the Equity Transfer Agreement by UP (Changzhou), CM Yinke and CM Trenda, pursuant to which CM Trenda conditionally agreed to sell, and UP (Changzhou) and CM Yinke conditionally agreed to purchase 51% and 49% of the equity interests in the Target Company respectively.

#### **JV FORMATION AGREEMENT**

The Board is pleased to announce that on 9 February 2015 (after trading hours), UP (Changzhou) and CM Yinke entered into the JV Formation Agreement whereby the parties agreed to enter into the JV Contract and the New Articles for the formation of the Joint Venture upon the Acquisition Completion.

#### **IMPLICATION UNDER THE LISTING RULES**

As CM Yinke is an indirect non-wholly owned subsidiary of China Merchants; China Merchants is a holding company of CMNEG which is a substantial shareholder of the Company, and CM Yinke and CMNEG are fellow subsidiaries, CM Yinke is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the JV Formation Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval of the JV Formation Agreement and the transactions contemplated thereunder at the SGM.

## **GENERAL**

Details of the JV Formation Agreement and the transactions contemplated thereunder will be included in the circular to be dispatched by the Company to the Shareholders on or before 27 February 2015 containing, among other things, details of the Equity Transfer Agreement, details of the Target Group, a letter of advice from the Independent Financial Adviser, the Valuation Report and the notice of the SGM.

Reference is made to the announcement of the Company dated 23 January 2015 in relation to, among other things, the entering into of the Equity Transfer Agreement by UP (Changzhou), CM Yinke and CM Trender, pursuant to which CM Trender conditionally agreed to sell, and UP (Changzhou) and CM Yinke conditionally agreed to purchase 51% and 49% of the equity interests in the Target Company respectively. Unless otherwise specified, defined terms and expressions used herein shall have the same meanings as those in the announcement of the Company dated 23 January 2015.

## **JV FORMATION AGREEMENT**

The Board is pleased to announce that on 9 February 2015 (after trading hours), UP (Changzhou) and CM Yinke entered into the JV Formation Agreement whereby the parties agreed to enter into the JV Contract and the New Articles for the formation of the Joint Venture upon the Acquisition Completion.

The principal terms of the JV Contract are set out below.

## **THE JV CONTRACT**

### **Parties**

UP (Changzhou)

CM Yinke (or the investment fund managed by CM Yinke) (“CM Yinke Party”)

### **Business scope of the Target Company**

The business scope of the Target Company will include, among other things, the investment, construction, operation, maintenance and management of solar power plants, research and development of photovoltaic solar power technology and facilities, provision of technical consultancy services for photovoltaic solar power projects, sale of photovoltaic solar power facilities and sale of metal hardware products, traffic equipment and electromechanical devices.

## **Registered capital of the Target Company**

The Target Company is a company with limited liability established under the laws of the PRC with a registered capital of RMB10 million (equivalent to approximately HK\$12.6 million). Upon the Acquisition Completion, the Target Company will be owned as to 51% and 49% by UP (Changzhou) and CM Yinke Party respectively.

Pursuant to the JV Contract, the Target Company may raise working capital by way of loan or increase of its registered capital. In the latter case, the parties to the JV Contract are entitled to contribute capital in proportion to their respective equity interests in the Target Company.

## **Board composition**

The board of directors of the Target Company will have three members, two of whom (including the chairman of the board of directors) will be appointed by UP (Changzhou) and one of whom (being the vice-chairman of the board of directors) will be appointed by CM Yinke Party.

The quorum for a meeting of the board of directors will be two directors.

## **Distribution of profits**

UP (Changzhou) and CM Yinke Party will share the profit, risks and loss of the Target Company in proportion to their respective equity interests in the Target Company.

## **Matters requiring unanimous approval by the directors of the Target Company**

The following matters will require the unanimous approval of the directors of the Target Company:

- (a) any amendment to the JV Contract or articles of association of the Target Company;
- (b) cessation or winding up of the Target Company;
- (c) any division or merger of the Target Company; and
- (d) any increase or reduction of the share capital of the Target Company.

All other matters will be approved by a majority of the directors present or represented at a board meeting.

## **Transfer, mortgage, pledge or disposal of equity interests in the Target Company**

Neither UP (Changzhou) nor CM Yinke Party may transfer, mortgage, pledge, or otherwise dispose all or part of its equity interest in the Target Company without the prior consent of the board of directors of the Target Company. If either UP (Changzhou) or CM Yinke Party wishes to transfer all or part of its equity interest in the Target Company to a third party, the other party will have a pre-emptive right to purchase such equity interest on the same terms and conditions as those being offered to the third party.

## **THE NEW ARTICLES**

The New Articles essentially mirror the terms of the JV Contract.

## **INFORMATION ON CM YINKE**

CM Yinke is a company with limited liability established under the laws of the PRC and is engaged in equity interest investment. CM Yinke is an indirect non-wholly owned subsidiary of China Merchants.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a company with limited liability established under the laws of the PRC and is a wholly owned subsidiary of CM Trendera which is an indirect wholly owned subsidiary of EBOD. EBOD is an associate of Magicgrand Group Limited which is a company directly and indirectly owned as to 100% by Mr. Li, Alan, our Chairman and Chief Executive Officer.

The Target Group comprises the Target Company and the Project Companies, where the Target Company owns the entire equity interest in the Project Companies. Each of the Project Companies owns two solar power plant projects respectively in Hami City and Turpan City, Xinjiang Province, the PRC. All four solar power plants have an approximate aggregate installed capacity of 80MW and have achieved on-grid connection.

## **INFORMATION ON THE COMPANY AND REASONS FOR ENTERING INTO THE JV FORMATION AGREEMENT**

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.

For the reasons described in the announcement of the Company dated 23 January 2015, UP (Changzhou) entered into the Equity Transfer Agreement to acquire a 51% equity interest in the Target Company. Upon the Acquisition Completion, the Target Company will become a joint venture between UP (Changzhou) and CM Yinke Party

in the respective shareholding of 51% and 49%. UP (Changzhou) and CM Yinke wish to set out their agreement on how the Target Company should be managed, the parties' respective rights and obligations as shareholders and the manner in which the affairs of the Target Company are to be conducted upon the Acquisition Completion. They have accordingly entered into the JV Formation Agreement to settle the terms and conditions of the JV Contract and the New Articles.

The Directors (other than the independent non-executive Directors who will express their view after having considered the advice of the Independent Financial Adviser) consider that the Group entered into the JV Formation Agreement in its ordinary course of business and that the terms of the JV Formation Agreement and the transactions contemplated thereunder (including the entering into of the JV Contract and the New Articles and the formation of the Joint Venture) are on normal commercial terms, fair and reasonable having considered the respective shareholdings of UP (Changzhou) and CM Yinke Party and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As CM Yinke is an indirect non-wholly owned subsidiary of China Merchants; China Merchants is a holding company of CMNEG which is a substantial shareholder of the Company, and CM Yinke and CMNEG are fellow subsidiaries, CM Yinke is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the JV Formation Agreement and the transactions contemplated thereunder constitute connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval of the JV Formation Agreement and the transactions contemplated thereunder at the SGM. As CMNEG is a non-wholly owned subsidiary of China Merchants, CMNEG and its associates are regarded as having a material interest in the JV Formation Agreement and the transactions contemplated thereunder and are therefore required to abstain from voting on the resolutions proposed to be passed at the SGM for approving the JV Formation Agreement and the transactions contemplated thereunder.

Mr. Li, Alan, Mr. Lu Zhenwei and Mr. Yang Baiqian abstained from voting on the relevant Board resolutions to approve the JV Formation Agreement and the transactions contemplated thereunder.

Save as aforesaid, none of the other Directors has any material interest in the JV Formation Agreement and the transactions contemplated thereunder which would require them to abstain from voting on the board resolutions approving the same.

Save as aforesaid, none of the Shareholders nor their respective associates is materially interested in the JV Formation Agreement and the transactions contemplated thereunder which would require them to abstain from voting on the resolutions to be proposed at the SGM to approve the same.

## **GENERAL**

The Independent Board Committee already established by the Company to advise the Independent Shareholders on, among other things, the terms and conditions of the Equity Transfer Agreement, the Acquisition, the Options Agreement, the CM Yinke Put Option, the Subscription Agreement and the CB Issue, will also advise the Independent Shareholders on the terms and conditions of the JV Formation Agreement and the transactions contemplated thereunder, and to make recommendations to the Independent Shareholders, taking into account the advice from the Independent Financial Adviser.

Details of the JV Formation Agreement and the transactions contemplated thereunder will be included in the circular to be dispatched by the Company to the Shareholders on or before 27 February 2015, containing, among other things, details of the Equity Transfer Agreement, details of the Target Group, a letter of advice from the Independent Financial Adviser, the Valuation Report and the notice of the SGM.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

|                          |                                                                                                                                                                                                                                        |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Joint Venture”          | the joint venture in respect of the Target Company to be set up between UP (Changzhou) and CM Yinke Party pursuant to the JV Contract                                                                                                  |
| “JV Contract”            | the joint venture contract in respect of the Target Company in substantially the same form as attached to the JV Formation Agreement to be entered into by UP (Changzhou) and CM Yinke Party upon or before the Acquisition Completion |
| “JV Formation Agreement” | the agreement dated 9 February 2015 and entered into by UP (Changzhou) and CM Yinke in respect of the formation of the Joint Venture                                                                                                   |

“New Articles”

the proposed new set of articles of association of the Target Company, in substantially the same form as attached to the JV Formation Agreement, to be entered into by UP (Changzhou) and CM Yinke Party and adopted by the Target Company upon the Acquisition Completion

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

Hong Kong, 9 February 2015

*In this announcement, the conversion of RMB into HK\$ has been made at a rate of RMB1:HK\$1.26. Such conversion 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.*