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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)

(1) PROPOSED JOINT ACQUISITION; (2) PROPOSED ISSUE OF CONVERTIBLE BONDS; AND (3) PROPOSED FUTURE ACQUISITION ARRANGEMENT

On 31 October 2014, the Company, CM Yinke, CM Wealth and CM Trender entered into the Cooperation Agreement in relation to the following Proposed Transactions which are subject to the entering into of definitive agreements:

PROPOSED JOINT ACQUISITION

The Company and CM Yinke contemplate the joint acquisition of the entire equity interest in the Target Company from CM Trender, whereby the Company intends to acquire 51% equity interest in the Target Company and CM Yinke intends to acquire the remaining 49% equity interest.

PROPOSED ISSUE OF CONVERTIBLE BONDS

After the entering into of the equity transfer agreement in relation to the joint acquisition of the Target Company and subject to the fulfillment of certain conditions precedent, the Company intends to issue and CM Wealth intends to subscribe for the Convertible Bonds in the principal amount of approximately HK\$529,200,000 (equivalent to approximately RMB420,000,000), the proceeds from which will be used to pay for the acquisition of the equity interest in the Target Company by the Company and the capital expenses and operational cost of the solar power plants owned by the Target Group.

PROPOSED FUTURE ACQUISITION ARRANGEMENT

The Company and CM Yinke will have a conditional call and put option exercisable in respect of the 49% Equity Interest to be owned by CM Yinke.

In the event that definitive agreements are not entered into by the parties in relation to the above Proposed Transactions within three months from the date of the Cooperation Agreement, the Cooperation Agreement shall lapse and automatically terminate.

As the parties have not entered into the final definitive agreements in relation to the Proposed Transactions contemplated under the Cooperation Agreement, and the final structure and terms of the Proposed Transactions are still subject to further negotiation among the parties, the Proposed Transactions may or may not materialize and its final structure and terms may deviate from those set out in the Cooperation Agreement. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

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).

The Board is pleased to announce that on 31 October 2014, the Company, CM Yinke, CM Wealth and CM Tenda entered into the Cooperation Agreement, pursuant to which and subject to the entering into of definitive agreements, (i) the Company and CM Yinke contemplate the joint acquisition of the entire equity interest in the Target Company from CM Tenda, whereby the Company intends to acquire 51% equity interest in the Target Company and CM Yinke intends to acquire the remaining 49% equity interest; (ii) the Company intends to issue and CM Wealth intends to subscribe for the Convertible Bonds; and (iii) the Company and CM Yinke will have a conditional call and put option exercisable in respect of the 49% Equity Interest to be owned by CM Yinke. The details of the Proposed Transactions contemplated under the Cooperation Agreement are set out below.

In the event that definitive agreements are not entered into by the parties in relation to the above Proposed Transactions within three months from the date of the Cooperation Agreement, the Cooperation Agreement shall lapse and automatically terminate.

PROPOSED JOINT ACQUISITION

The Company and CM Yinke contemplate the joint acquisition of the entire equity interest in the Target Company from CM Tenda, whereby the Company intends to acquire 51% equity interest in the Target Company and CM Yinke intends to acquire the remaining 49% equity interest. The Company and CM Yinke will settle the consideration in relation to the transfer of equity interest in cash.

Subsequent to the entering into of the Cooperation Agreement, the Company and CM Yinke will jointly appoint professional agencies to value the equity interest and assets of the Target Company, audit the Target Group and conduct legal and financial due diligence on the Target Group. The Company and CM Yinke will thereafter further negotiate the details of the proposed joint acquisition with CM Tenda and the parties will enter into definitive equity transfer agreement after finalizing the related specific terms and conditions.

PROPOSED ISSUE OF CONVERTIBLE BONDS

After the entering into of the definitive equity transfer agreement among the Company and CM Yinke and CM Tenda and subject to the fulfillment of certain conditions precedent, the Company intends to issue and CM Wealth intends to subscribe for the Convertible Bonds in the principal amount of approximately HK\$529,200,000 (equivalent to approximately RMB420,000,000), the proceeds from which will be used to pay for the acquisition of the equity interests in the Target Company by the Company and the capital expenses and operational cost of the solar power plants owned by the Target Group. CM Wealth will raise funds to subscribe for the Convertible Bonds by establishing asset management schemes. The principal terms of the Convertible Bonds are set out as follows:

- Principal amount:** Approximately HK\$529,200,000 (equivalent to approximately RMB420,000,000)
- Issue price:** 100% of the principal amount of the Convertible Bonds
- Interest rate:** 7.5% per annum
- Maturity date:** 3 years from the date of issue
- Conversion period:** In the period commencing from the end of six months after the issue of Convertible Bonds and ending on the maturity date of Convertible Bonds, CM Wealth is entitled to convert all or part of the Convertible Bonds into Shares.
- If the average closing price of the Shares for 15 consecutive trading days in the Stock Exchange reaches HK\$1.7 per Share or above, the Company is entitled to require CM Wealth to convert all Convertible Bonds into Shares.
- Conversion Price:** HK\$1.03, being the initial conversion price per conversion Share (subject to adjustments), which was arrived at after arm's length negotiations between the Company and CM Wealth with reference to the prevailing market price of the Shares and represents:
- (i) no premium/discount over the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on 30 October 2014, being the last trading date prior to the date of the Cooperation Agreement;
 - (ii) a premium of approximately 10.04% over the average closing price of HK\$0.936 per Share for the last five trading days up to and including 30 October 2014; and

- (iii) a premium of approximately 13.81% over the average closing price of HK\$0.905 per Share for the last ten trading days up to and including 30 October 2014.

Security:

The Company will pledge the following as security for the Convertible Bonds:

- (i) 51% equity interest that it will hold in the Target Company;
- (ii) 100% of its right to receive feed-in tariff payments relating to the solar power station owned by Hami Project Company; and
- (iii) the assets of the solar power station owned by Hami Project Company.

Others:

The Company and CM Wealth will confirm other details when entering into the definitive subscription agreement.

Based on the initial Conversion Price of HK\$1.03 and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 513,786,407 Shares, representing:

- (i) approximately 11.78% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 10.54% of the ordinary share capital of the Company as enlarged.

PROPOSED FUTURE ACQUISITION ARRANGEMENT

CM Yinke Put Option

The Cooperation Agreement also contemplates that in the period commencing from the end of six months after the Completion Date and ending on the third anniversary of the Completion Date, CM Yinke is entitled to request the Company to acquire part or all of the 49% Equity Interest owned by it. The Company will settle the consideration by issuing Shares to CM Yinke at the issue price of HK\$1.03 per Share. The parties will enter into a definitive equity transfer agreement separately in respect of any such future acquisition.

Company Call Option

If the average closing price of the Shares for 15 consecutive trading days in the Stock Exchange reaches HK\$1.7 per Share or above, the Company is entitled to acquire all of the 49% Equity Interest from CM Yinke at the 49% Equity Interest Consideration. The Company will settle the 49% Equity Interest Consideration by issuing Shares at the price of HK\$1.03 per Share to CM Yinke.

The 49% Equity Interest Consideration will be derived as follows:

$$\text{49\% Equity Interest Consideration} = [A + B - C] \times D \div E$$

Where:

“A” refers to the consideration paid by CM Yinke for the 49% Equity Interest in the Target Company, plus or minus any increase or reduction (as the case may be) in capital contributed by CM Yinke to the Target Company during its holding the 49% Equity Interest.

“B” refers to the premium over the 49% Equity Interest, which is derived as follows:

$$A \times \text{interest rate of 7.5\% per annum} \times (\text{the actual number of days between the Completion Date and the date in which the parties enter into a transfer agreement in relation to the 49\% Equity Interest, divided by 365})$$

“C” refers to any dividend paid to and received by CM Yinke from the Target Company (as the case may be).

“D” refers to the number of shares being purchased from CM Yinke.

“E” refers to total number of shares held by CM Yinke in the Target Company.

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 THE TARGET COMPANY

The Target Company is a company with limited liability established under the laws of the PRC and is a wholly owned subsidiary of CM Trender, which wholly owns the Hami Project Company and the Turpan Project Company.

Each of the Hami Project Company and the Turpan Project Company 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 CM YINKE, CM WEALTH AND CM TREND A

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 Group Limited.

CM Wealth is a company with limited liability established under the laws of the PRC and is a comprehensive asset management platform. CM Wealth is indirectly owned as to 55% by China Merchants Bank Co. Limited and as to 45% by China Merchants Securities Co. Limited. China Merchants Securities Co. Limited is an indirect non wholly-owned subsidiary of China Merchants Group Limited.

CM Trenda is a company with limited liability established under the laws of the PRC and is engaged in the supply of photovoltaic products and services. CM Trenda is an indirect wholly owned subsidiary of Renewable Energy Trade Board Corporation, which is in turn an associate of China Merchants New Energy Group Limited.

China Merchants Group Limited is the holding company of China Merchants New Energy Group Limited, a substantial shareholder of the Company as at the date of this announcement. Accordingly, each of the Proposed Transactions will, if the definitive agreements are entered into, be connected transaction of the Company and will be subject to independent shareholders' approval pursuant to the Listing Rules.

As the parties have not entered into the final definitive agreements in relation to the Proposed Transactions contemplated under the Cooperation Agreement, and the final structure and terms of the Proposed Transactions are still subject to further negotiation among the parties, the Proposed Transactions may or may not materialize and its final structure and terms may deviate from those set out in the Cooperation Agreement. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

The Proposed Transactions, if materialized, will constitute notifiable transactions under Chapter 14 and connected transactions under Chapter 14A of the Listing Rules. 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:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules, unless otherwise specified
“Board”	the board of Directors
“CM Wealth”	China Merchants Wealth Asset Management Limited* (招商財富資產管理有限公司), a company established in the PRC with limited liability
“CM Trenda”	China Merchants Zhangzhou Development Zone Trenda Solar Limited* (招商局漳州開發區創大太陽能有限公司), a company established in the PRC with limited liability
“CM Yinke”	Shenzhen China Merchants Yinke Investment Management Limited* (深圳市招商局銀科投資管理有限公司), a company established in the PRC with limited liability
“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
“Completion”	the completion of the proposed joint acquisition of the equity interest in the Target Company and its definitive equity transfer agreement to be entered among the Company, CM Yinke and CM Trenda, including completion of the registration of the equity transfer and the issue of the Target Company’s new business license.
“Completion Date”	the date when the Completion takes place
“Convertible Bonds”	the proposed three-year 7.5% secured convertible bonds to be issued by the Company to CM Wealth
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hami Project Company”	Hami Huiteng Photovoltaic Company Limited* (哈密輝騰光伏電力有限公司), a company established in the PRC with limited liability and is wholly owned by the Target Company, which is the sole legal entity of the development, investment, operation and management of Agricultural Thirteenth Division Hongxing Fourth Development Zone Phase I 20MW on-grid connected photovoltaic solar power plant and Hami Huiteng Hongxing Fourth Development Zone Phase II 20MW on-grid connected photovoltaic solar power plant
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Cooperation Agreement”	the agreement dated 31 October 2014 entered into among the Company, CM Yinke, CM Wealth and CM Trenda with respect to (i) the proposed joint acquisition of the entire equity interest in the Project Company, (ii) the proposed issue of Convertible Bonds and (iii) the proposed future acquisition arrangement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, which equals 1,000,000 watt
“PRC”	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 Transactions”	the transactions contemplated under the Cooperation Agreement
“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”	Changzhou Guangyu New Energy Company Limited* (常州光昱新能源有限公司), a company established in the PRC with limited liability and is wholly owned by CM Trenda, which owns the entire equity interest in Hami Project Company and Turpan Project Company
“Target Group”	Target Company, Hami Project Company and Turpan Project Company

“Turpan Project Company”	Turpan Zhongli Talesun Photovoltaic Company Limited* (吐魯番中利騰暉光伏發電有限公司), a company established in the PRC with limited liability and is wholly owned by the Target Company, which is the sole legal entity of the development, investment, operation and management of Zhongli Talesun Turpan Phase I 20MW on-grid connected photovoltaic solar power plant and Zhongli Talesun Turpan Phase II 20MW on-grid connected photovoltaic solar power plant
“49% Equity Interest”	the 49% equity interest in the Project Company to be owned by CM Yinke upon the Completion
“49% Equity Interest Consideration”	the consideration that would become payable by the Company to CM Yinke to acquire part or all of the 49% Equity Interest
“%”	per cent

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

Hong Kong, 31 October 2014

In this announcement, the conversion of RMB into Hong Kong dollars has been made at a rate of RMB1 to HK\$1.26. Such conversion is 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 purpose only*