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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 IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN A PROJECT COMPANY OWNING A 20 MW SOLAR POWER PLANT

On 21 July 2014, UP (Changzhou), TBEA and Xinjiang Sang'ou entered into the Agreement, pursuant to which, among other things, (i) the Vendors have conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the entire equity interest in the Target Company for a total cash consideration of RMB43,000,000 (equivalent to approximately HK\$54,180,000); and (ii) the Parties agreed on the payment in relation to the EPC of the Target Project.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Agreement is greater than 5% and less than 25%, as calculated under Rule 14.07 of the Listing Rules, the entering into of the 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.

As Completion is subject to the fulfillment of a number of conditions precedent under the Agreement, the Proposed Transaction may or may not proceed. Therefore, Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

THE AGREEMENT

Date:

21 July 2014

Parties:

Vendors: (i) TBEA
 (ii) Xinjiang Sang'ou

Purchaser: UP (Changzhou)

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Vendors and the ultimate beneficial owners of each of them, are third parties independent of the Company and connected persons of the Company.

Transfer of equity interest in the Target Company

The Vendors have conditionally agreed to sell and UP (Changzhou) has conditionally agreed to purchase the entire equity interest in the Target Company for a total cash consideration of RMB43,000,000 (equivalent to approximately HK\$54,180,000).

Upon Completion, UP (Changzhou) will hold the entire equity interest in the Target Company which will become an indirect wholly-owned subsidiary of the Company.

Acquisition Consideration

The Acquisition Consideration shall be settled by UP (Changzhou) in cash and will form part of the EPC Consideration. Please refer to the section headed “Payment for the EPC of the Target Project” in this announcement for details of the payment terms of the EPC Consideration.

Basis of Consideration

The EPC Consideration (including the Acquisition Consideration) was arrived at after arm's length negotiations between UP (Changzhou) and the Vendors and on normal commercial terms by reference to the internal rate of return of 9% for the Target Project.

Conditions Precedent

Completion is conditional upon the fulfillment of the following conditions:

- (i) the Target Project having received the approval from the Development and Reform Commission of Qinghai Province and having obtained the relevant approval documents;

- (ii) the Target Company having entered into on-grid connection agreement and power purchase agreement and having obtained all the documents required for the construction and operation of the Target Project, such as application for construction and acceptance document for completion, supervision and inspection report for engineering quality, and the documents in relation to the on-grid connection issued by State Grid Electricity Company of Qinghai Province, and such and so on;
- (iii) the conducting of on-site due diligence inspection of the Target Company and Target Project by UP (Changzhou) or its designated intermediary and the issuance of due diligence reports (including but not limited to legal, technical and financial due diligence reports), and that such reports not giving any material qualified opinion and/or the parties have reached supplementary agreements in relation to issues identified in the reports;
- (iv) the Agreement and the transactions contemplated thereunder having obtained the respective internal approvals of the respective parties;
- (v) if the transactions contemplated under the Agreement are subject to re-approval by the relevant government authorities or consents from any other parties to any agreements or documents in which the Target Company is one of the parties become necessary and the absence of which may materially affect the normal operation of the Target Company or application for subsidies, such re-approval or consents having been obtained;
- (vi) if the transfers of shareholding contemplated under the Agreement is subject to further approvals by any PRC governmental department, such approvals having been obtained;
- (vii) the Agreement having become effective;
- (viii) no material adverse change in the business and financial aspects of the Target Company nor any material breach of the Vendors' representations and warranties;
- (ix) the Vendors having provided UP (Changzhou) with financial statements which are recognized in writing by UP (Changzhou); or valuation report(s) issued by an independent valuer appointed by the Parties with written confirmation of UP (Changzhou);
- (x) the issues in relation to the sharing of booster stations, circuits and other facilities with a third party having been resolved, and the solutions provided by the Vendors having been satisfied by UP (Changzhou) in writing;
- (xi) the Vendors, UP (Changzhou) and Target Company having entered into an electricity generation guarantee agreement;
- (xii) the Target Project having achieved on-grid connection before 31 December 2013;
- (xiii) the terms of EPC agreement between the Target Company and TBEA having been satisfied by UP (Changzhou) in writing; and

- (xiv) the registered capital of the Target Company having been increased to RMB43,000,000 and having been paid up in full.

Completion

Within ten (10) business days upon the payment of the First EPC Payment (as defined below) and Second EPC Payment (as defined below), the Vendors shall (i) deliver to UP (Changzhou) all of the assets, documents and seals and so forth that are required for the operation and management of the Target Company; and (ii) procure 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 the shareholder of the Target Company. The Completion Date shall fall on the date of the collection of the updated new business license by the Target Company.

Payment for the EPC of the Target Project

As at the date of this announcement, the construction and the on-grid connection of the Target Project have been completed. TBEA served as the EPC contractor of the Target Project. As at the date of this announcement, the costs of the EPC of the Target Project have not been settled by the Project Company. The Parties agreed that the total EPC Consideration (including the Acquisition Consideration) will be approximately RMB215,000,000 (equivalent to approximately HK\$270,900,000), subject to the final adjustment by the Parties based on the valuation. The payment terms of the EPC Consideration are summarized as follows:

- (i) a deposit of RMB21,500,000 (equivalent to approximately HK\$27,090,000) (the “**Deposit**”) shall be payable by UP (Changzhou) to TBEA within ten (10) business days upon the fulfillment of the conditions precedent under the Agreement;
- (ii) an amount of RMB21,500,000 (equivalent to approximately HK\$27,090,000) (the “**First EPC Payment**”) shall be deposited by UP (Changzhou) to a third party escrow account as designated by the Parties within three (3) months upon the payment of the Deposit;
- (iii) an amount of RMB150,500,000 (equivalent to approximately HK\$189,630,000) (the “**Second EPC Payment**”) obtained through bank facilities, which will be arranged by UP (Changzhou), shall be deposited to an escrow account as designated by the financing institution, within three (3) months upon the payment of the Deposit;
- (iv) within five (5) business days upon the date of Completion and upon the production of the requisite documents by the Vendors, the First EPC Payment and Second EPC Payment shall be released from the respective escrow account to TBEA, and among such payments and the Deposit, RMB43,000,000 shall be regarded as the Acquisition Consideration;

- (v) the balance of the EPC Consideration of RMB21,500,000 (equivalent to approximately HK\$27,090,000) shall be settled within ten (10) business days upon fulfilment of all of the following conditions:
- (a) the Target Company having been included in the directory of 2014 feed-in tariff surcharge subsidiary for renewable energy* (可再生能源電價附加資金補助目錄);
 - (b) the Target Company having obtained all relevant documents required for the construction and commercial operation of the Target Project;
 - (c) the construction of working area, living quarters and auxiliary facilities of the Target Project having been completed; and
 - (d) the Vendors having provided UP (Changzhou) with an irrecoverable letter of bank guarantee in the amount of RMB10,750,000 pursuant to the electricity generation guarantee agreement to be entered into among the Parties.

If UP (Changzhou), due to its own reasons, fails to pay the First EPC Payment and Second EPC Payment within three (3) months upon the payment of the Deposit, the Vendors shall have the right to forfeit a sum of RMB10,000,000 (equivalent to HK\$12,600,000) from the Deposit, and in such case, the Parties may negotiate to enter into a supplemental agreement to supplement the terms of the Agreement. If no supplemental agreement can be entered into within 30 days on the part of UP (Changzhou), the Agreement shall be automatically terminated and no party has any obligation or liability to any other party, and the balance of the Deposit shall be refunded to UP (Changzhou).

INFORMATION ON THE TARGET COMPANY AND THE TARGET PROJECT

The Target Company was established in Gonghe County, Qinghai Province, PRC under the laws of the PRC on 28 April 2013. TBEA and Xinjiang Sang'ou own 90% and 10% respectively of its entire equity interest. The Target Company is engaged in the business of solar photovoltaic power plant. It owns the Target Project which is a solar power plant with installed capacity of 20 MW located at Gonghe County, Qinghai Province, PRC. The Target Project achieved on-grid connection by end of 2013. For the period from 1 January 2014 to 16 July 2014, the Target Project generated electricity in a total amount of 7,036,125 KWh.

As at 31 December 2013, the Target Company had total assets of RMB4,600,660 (approximately HK\$5,796,832) and total liabilities of RMB2,600,165 (approximately HK\$3,276,208). Since the Target Project achieved on-grid connection by end of 2013, no revenue was recognised for the Target Company for the two financial years ended 31 December 2012 and 2013.

INFORMATION ON THE VENDORS

TBEA was established in the PRC on 30 August 2000 and is principally engaged in the application of solar energy and its research and development. TBEA is also the EPC Contractor of the Target Project.

Xinjiang Sang'ou was established in the PRC on 28 June 2001 and is principally engaged in the research, development and sale of solar energy products.

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.

REASONS FOR THE PROPOSED 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 to acquire the solar power plants with good prospects and potential for stable returns.

The Directors consider that the acquisition of the Target Company will enable the Group to further expand its scale of power business in the solar energy sector and enhance the return to Shareholders. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As Completion is subject to the fulfillment of a number of conditions precedent under the Agreement, the Proposed Transaction may or may not proceed. Therefore, Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition Consideration”	the cash consideration of RMB43,000,000 (equivalent to approximately HK\$54,180,000) for the sale and purchase of the entire equity interest in the Target Company;
“Agreement”	the agreement dated 21 July 2014 entered into among TBEA and Xinjiang Sang’ou as vendors; and UP (Changzhou) as purchaser, for the sale and purchase of the entire equity interest in the Target Company and the agreement on the payment in relation to the EPC of the Target Project;
“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;
“Completion”	the completion of the sale and purchase of the entire equity interest in the Target Company in accordance with the terms and conditions of the Agreement;
“Directors”	the directors of the Company;
“EPC”	Engineering, Procurement and Construction;
“EPC Consideration”	the total cash consideration of RMB215,000,000 (equivalent to approximately HK\$270,900,000) for the EPC arrangements of the Target Company;
“EPC Contractor”	TBEA;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“KWh”	kilowatt hour, which equals 1,000 watt hour, unit of energy which refers to the specific amount of energy provided in a 3,600-second time period;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt, which equals 1,000,000 watt
“Parties”	the Vendors, UP (Changzhou), being the parties to the Agreement, and the word “Party” shall be construed accordingly;
“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 Transaction”	the proposed acquisition of the entire equity interest in the Target Company by UP (Changzhou) from the Vendors and the payment for the EPC of the Target Project;
“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”	Gonghe County Xinte Photovaltaic Co., Ltd* (共和縣新特光伏發電有限公司), a company established in the PRC with limited liability, which is owned as to 90% by TBEA and 10% by Xinjiang Sang’ou;
“Target Project”	the ground-based solar power plant owned by the Target Company which is located in Gonghe, Qinghai, PRC, with an aggregate installed capacity of approximately 20 MW;
“TBEA”	TBEA Sun Oasis Co., Ltd.* (特變電工新疆新能源股份有限公司), a company established in the PRC with limited liability and one of the Vendors, which is interested in 90% of the equity interest in the Target Company;
“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;
“Vendors”	TBEA and Xinjiang Sang’ou;

“Xinjiang Sang’ou”

Xinjiang Sang’ou Solar Equipment Co., Ltd.* (新疆桑歐太陽能設備有限公司), a company established in the PRC with limited liability and one of the Vendors, which is interested in 10% of the equity interest in the Target Company; and

“%”

per cent.

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

Hong Kong, 21 July 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 purpose only