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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **(1) SOLAR POWER PROJECTS DEVELOPMENT AGREEMENT**

#### **(2) ROOFTOP SOLAR POWER PLANTS FRAMEWORK AGREEMENT**

On 16 December 2014, the Group entered into the following continuing connected transaction agreements:

#### **SOLAR POWER PROJECTS DEVELOPMENT AGREEMENT**

CM Zhangzhou Trenda and CMLH entered into the Solar Power Projects Development Agreement pursuant to which, CMLH would undertake Project Development Work in areas selected by CM Zhangzhou Trenda with the recommendation of CMLH based on the existing network of CMLH.

#### **ROOFTOP SOLAR POWER PLANTS FRAMEWORK AGREEMENT**

CM Zhangzhou Trenda and CMLH also entered into the Rooftop Solar Power Plants Framework Agreement pursuant to which, among others, (i) CMLH agreed to lease to CM Zhangzhou Trenda certain rooftops of warehouses, distribution centers and other logistics network buildings being built or to be built in Xinjiang, Qingdao, Kunming, Ningbo and Hefei, for the installation of rooftop solar power plants; and (ii) CMLH agreed to undertake reinforcement construction work at the cost of CM Zhangzhou Trenda on such rooftops according to the requirements specified by CM Zhangzhou Trenda to ensure solar power plants can be safely installed on such roofs.

Such lease arrangements are subject to the entering into of definitive rooftop lease agreements between the parties from time to time.

As at the date of this announcement, the parties have not entered into any definitive lease agreements in relation to each lease in accordance with the Rooftop Solar Power Plants Framework Agreement.

## **LISTING RULES IMPLICATIONS**

CMLH is an associate of CMNEG and as at the date of this announcement, CMNEG is a substantial shareholder of the Company. CMLH is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

When taken individually, the applicable percentage ratios for the annual caps under the Solar Power Projects Development Agreement and the Rooftop Solar Power Plants Framework Agreement are each more than 0.1% but less than 5%, and the annual cap under the Rooftop Solar Power Plants Framework Agreement is less than HK\$3,000,000. When taken aggregated, the applicable percentage ratios are more than 0.1% but less than 5%. Accordingly, such transactions are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that the following continuing connected agreements set out below were entered into by the Group.

### **SOLAR POWER PROJECTS DEVELOPMENT AGREEMENT**

Date:	16 December 2014
Parties:	(1) CM Zhangzhou Trenda; and (2) CMLH.
Nature of transaction:	CMLH would undertake Project Development Work in areas selected by CM Zhangzhou Trenda with the recommendation of CMLH based on the existing network of CMLH.
Term of agreement:	1 January 2015 up to and including 31 December 2017
Payment:	Within 15 days of CM Zhangzhou Trenda confirming the selection of the area to carry out the Project Development Work, it will pay CMLH an advance disbursement amount of RMB1,000,000 to be used for the costs and expenses to be incurred by CMLH in carrying out the Project Development Work.

Upon completion of the Project Development Work, CMLH shall provide CM Zhangzhou Trendera with the relevant approval and registration documents for the construction of the solar power plant and CM Zhangzhou Trendera shall within 30 days of receipt of such documents pay the Project Success Fee less any advance disbursement amount not utilised by CMLH in carrying out the Project Development Work.

All payments would be made in cash from the internal financial resources of the Group.

Pricing policy:

The Project Success Fee was arrived at with reference to, among others, prevailing market rates of 3 other similar service providers and results of market research in the solar industry which averaged between RMB0.30 to RMB0.50 per watt and the highest being RMB1 per watt. The Project Success Fee was negotiated at a rate of RMB0.10 per watt and represents a significant discount compared to the market rates of other similar service providers in the industry.

The initial upfront payment of a disbursement amount of RMB1,000,000 represents the estimated costs and expenses that would need to be incurred by CMLH for undertaking the Project Development Work. If the actual costs and expenses turn out to be less than this amount, the remainder would be deducted from the Project Success Fee. Should such disbursement amount prove to be insufficient for carrying out the Project Development Work, the parties will discuss and consider whether to continue with the Project Development Work and increase the disbursement amount.

The above payment structure helps the Company monitor and control costs and expenses incurred under the Solar Power Projects Development Agreement.

The Company considers that the terms of the Solar Power Projects Development Agreement, including the fees charged thereunder, are favorable to the Group.

## ROOFTOP SOLAR POWER PLANTS FRAMEWORK AGREEMENT

- Date: 16 December 2014
- Parties: (1) CM Zhangzhou Trenda; and  
(2) CMLH
- Nature of transaction: CMLH would from time to time, lease to CM Zhangzhou Trenda certain rooftops of warehouses, distribution centers and other logistics network buildings being built or to be built in Xinjiang, Qingdao, Kunming, Ningbo and Hefei, for the installation of rooftop solar power plants.
- CMLH will also undertake reinforcement construction work at the cost of CM Zhangzhou Trenda on such rooftops according to the requirements specified by CM Zhangzhou Trenda to ensure solar power plants can be safely installed on such roofs.
- Such lease arrangements and the costs of the reinforcement construction work on the rooftops are subject to the entering into of definitive agreements between the parties from time to time.
- Term of agreement: 1 January 2015 up to and including 31 December 2017.
- Payment: Payment details will be agreed in the definitive agreements as and when they are entered into.
- It is expected that all payments would be made in cash from the internal financial resources of the Group.
- Pricing policy: Reinforcement construction costs for the roof will depend on the design, circumstances and structure of the building at the relevant time. To ensure that such costs are in line with market rates, the Company will ensure that its management team compares quotes from other contractors for reinforcement construction work with the quotes given by CMLH.
- The actual lease amount for each rooftop will vary depending on the area of the roof being leased, the design, circumstances and structure of the building, and the business plan of the Company. The rates of the leases will however be based on the following agreed rates as and when they are entered into:

For lease arrangements:

- (a) commencing from the first year of a lease arrangement to the tenth year (if such lease arrangement continues to be in place for such period) (“**1st Period**”), leases shall be at an annual rate of RMB1.00 per square meter;
- (b) continuing for the next five years following the 1st Period (“**2nd Period**”), leases shall be at an annual rate of RMB1.50 per square meter; and
- (c) continuing for the next five years following the 2nd Period (“**3rd Period**”), shall be at an annual rate of RMB2.00 per square meter.

The terms and conditions of any lease arrangements to be continued after the 3rd Period shall thereafter be discussed and agreed between the parties.

As at the date of this announcement, the parties have not entered into any definitive lease agreements in relation to each lease in accordance with the Rooftop Solar Power Plants Framework Agreement.

The Company will comply with the disclosure and shareholders’ approval requirements (if applicable) under the Listing Rules as and when it enters into the definitive agreements under the Rooftop Solar Power Plants Framework Agreement. Should any of these definitive agreements have a term of more than 3 years, the Company will also ensure that an independent financial adviser is appointed prior to entering into such agreements to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Appropriate disclosures will be made in accordance with the Listing Rules.

The above rates were arrived at on normal commercial terms with reference to, among others, prevailing market rates of 3 other similar premises and services, and results of market research in the same industry. The market rates averaged between an annual rate of RMB2.00 to RMB6.00 per square meter. Accordingly, the Company considers that CMLH has offered favourable pricing terms to the Group.

## ANNUAL CAPS

The annual caps for each of the above agreements for each of the periods ending 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:–

Transaction	Amount for 12 months ending		
	31 December 2015	31 December 2016	31 December 2017
Solar Power Projects Development Agreement	HK\$13,860,000	HK\$13,860,000	HK\$13,860,000
Rooftop Solar Power Plants Framework Agreement	HK\$2,300,000	HK\$2,300,000	HK\$2,300,000

### Solar Power Projects Development Agreement Annual Cap

The annual caps for the Solar Power Projects Development Agreement have been determined after the relevant parties had discussed (i) the existing network and resources of CMLH, (ii) the Company's expansion plans and targets over the next three years in terms of ground-based solar power plants, (iii) the estimated future increase in demand for electricity in the PRC, (iv) the estimated costs and expenses to be incurred for undertaking the Project Development Work, and (v) the expected amount payable as the Project Success Fee based on the targeted expansion plans of the Group.

### Rooftop Solar Power Plants Framework Agreement Annual Cap

The annual caps for the Rooftop Solar Power Plants Framework Agreement have been determined after the relevant parties had discussed (i) the existing network and planned number of warehouses, distribution centers and other logistics network buildings being built or to be built in Xinjiang, Qingdao, Kunming, Ningbo and Hefei, for the installation of rooftop solar power plants, (ii) the Company's expansion plans and targets over the next three years in terms of rooftop solar power plants, (iii) the estimated future increase in demand for electricity in the PRC, (iv) the estimated costs and expenses to be incurred for undertaking the reinforcement construction work for installing the rooftop solar power plants, and (v) the estimated lease payment amounts payable to CMLH in respect of the rooftop solar power plants to be installed.

## REASONS AND BENEFITS FOR THE TRANSACTIONS

The Group is principally engaged in the development, investment, operation and management of the solar power plants, including roof-top and ground-based plants.

CMLH principally engaged in logistic operation. CMLH has operated transportation, shipping, warehousing and forwarding businesses for many years, and has a core advantage in logistic networking. CMLH has established its own logistic nodes in more than 30 major cities of China.

### **Solar Power Projects Development Agreement**

As to the development work for a solar power plant, the amount of time involved is immense and hard to predict, and it may not be in the best interest of the Group to conduct the preliminary development and research work in different regions by itself at the same time. The Solar Power Projects Development Agreement allows the Group to take advantage of the existing network and resources of CMLH as well as the economies of scale it can offer. The Group will also be able to reduce the costs of developing solar power plant projects by leveraging on the expertise of CMLH and experience with getting the necessary approvals from local authorities.

The cooperation between the Group and CMLH, is a better alternative for the Group to achieve time advantages for its Project Development Work at a low cost. This will help to speed up the overall growth and competitiveness of the Group and allow it to penetrate the PRC market more efficiently.

### **Rooftop Solar Power Plants Framework Agreement**

The Rooftop Solar Power Plants Framework Agreement was entered into with CMLH as CMLH can provide the rooftops of certain warehouses, distribution centers and other logistics network buildings being built or to be built in Xinjiang, Qingdao, Kuming, Ningbo and Hefei, which can be utilised for construction of rooftop solar power plants.

It also provides the Group with a stable and reliable resource to the installation of rooftop solar power plants at a discounted rate. With a framework agreement, the rooftop solar power plants will be designed at the same time with these buildings, which reduces the total cost and saves time compared to designing and building solar power plants after the construction of the whole building has been completed.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Solar Power Projects Development Agreement and Rooftop Solar Power Plants Framework Agreement are arrived at on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole, and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

## **INFORMATION ON THE GROUP**

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.

CM Zhangzhou Trender is an indirect non wholly-owned subsidiary of the Company and is principally engaged in the development of the solar technology, comprehensive utilization and transfer of the technological achievements and design and installation of the solar power system.

## **INFORMATION ON CMLH**

CMLH is a company established in the PRC whose principal activity is provision of logistic services.

CMLH is a subsidiary of CMG. CMG and its subsidiaries engage in various major business sectors in the PRC, such as transportation and related infrastructure (ports, toll roads, energy transportation and logistics), financial investment and asset management, as well as property development and management.

CMLH is an associate of CMNEG, a substantial shareholder of the Company. The relationship with CMLH provides the Group with access to the rooftops of suitable properties owned by members of CMLH, which can be utilised for construction of rooftop solar power plants.

None of the Directors has a material interest or are required to abstain from voting on the Board resolutions in relation to the Solar Power Projects Development Agreement and the Rooftop Solar Power Plants Framework Agreement. However, in the relevant Board meeting, Mr. Alan Li, Mr. Lu Zhenwei and Mr. Yang Baiqian, who are directors of CMNEG, voluntarily abstained from voting on the aforesaid agreements.

## **LISTING RULES IMPLICATIONS**

CMLH is an associate of CMNEG and as at the date of this announcement, CMNEG is a substantial shareholder of the Company. CMLH is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

When taken individually, the applicable percentage ratios for the annual caps under the Solar Power Projects Development Agreement and the Rooftop Solar Power Framework Agreement are each more than 0.1% but less than 5%, and the annual cap under the Rooftop Solar Power Plants Framework Agreement is less than HK\$3,000,000. When taken aggregated, the applicable percentage ratios are more than 0.1% but less than 5%. Accordingly, such transactions are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.



## 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
“CMG”	China Merchants Group Limited, a company incorporated in the PRC and the ultimate holding company of both CMNEG and CMLH
“CMLH”	China Merchants Logistics Holdings Co., Ltd.* (招商局物流集團有限公司), a company established in the PRC, a subsidiary of CMG and therefore an associate of CMNEG (a substantial shareholder of the Company) and a connected person of the Company, whose principal activity is provision of logistic services
“CM Zhangzhou Trender”	China Merchants Zhangzhou Development Zone Trender Solar Tech Limited* (招商局漳州開發區創達太陽能科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“CMNEG”	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the BVI with limited liability and a substantial shareholder of the Company
“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
“Directors”	the directors of the Company
“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
“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, the Macau Special Administrative Region of the PRC and Taiwan
“Project Development Work”	the solar power plant project development work to be undertaken by CMLH which includes the selection and employment of workers to undertake the registration and obtaining of plans, permits, approvals for the development of solar power plants in selected areas under the Solar Power Projects Development Agreement
“Project Success Fee”	the fee to be paid by CM Zhangzhou Trenda to CMLH in respect of the successful completion of the Project Development Work to be calculated based on the rate of RMB0.10 per watt of the total designed installed capacity of the relevant solar power plant
“RMB”	Renminbi, the lawful currency of the PRC
“Rooftop Solar Power Plants Framework Agreement”	the agreement entered into on 16 December 2014 between CM Zhangzhou Trenda and CMLH in relation to, among other things, CMLH leasing to CM Zhangzhou Trenda certain rooftops of warehouses, distribution centers and other logistics network buildings being or to be built in Xinjiang, Qingdao, Kunming, Ningbo and Hefei, for the installation of rooftop solar power plants
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Solar Power Projects Development Agreement”	the agreement entered into on 16 December 2014 between CM Zhangzhou Trenda and CMLH in relation to, among other things, the Project Development Work

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

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

Hong Kong, 16 December 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*