SUNPOWER GROUP LTD.

RESPONSES TO SUBSTANTIAL & RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS, SUBMITTED FOR THE ANNUAL GENERAL MEETING ON 28 APRIL 2023

Further to the Notice of Annual General Meeting dated 5 April 2023, the Board of Directors (the "**Board**") of Sunpower Group Ltd. ("**Sunpower**" or the "**Company**", and together with its subsidiaries, the "**Group**") wishes to provide the following information in response to the substantial and relevant questions received from shareholders between 5 April 2023 and 21 April 2023 for the purpose of our annual general meeting ("**AGM**") that will be held on 28 April 2023.

Substantial and Relevant Questions

1. **With regards to pg 158 of AR, Financial effect of convertible bonds (CB), please explain the variance between the 2022 and 2021 numbers. How are these numbers computed?**

   Company's Response:

   Financial effects of Convertible Bonds ("**CBs**") consist of (a) fair value change, (b) unrealised foreign exchange translation and (c) amortised interest costs of the CBs.

   (a) The fair value of the derivative portion of the CBs are calculated using the binomial option pricing model. This amount is recorded as a liability at fair value, and is subsequently remeasured at the end of each financial period with changes in fair value recognised in profit or loss. The model has many input parameters, including stock price, exercise price, expected volatility, risk-free interest rate and the remaining maturity of convertible bonds. The decrease of the stock price will lead to the decline of the fair value of the derivative liabilities of convertible bonds, and result in fair value gain on CBs correspondingly. The share price of the Company decreased after the disposal of the M&S business in 2021, while the share price remained relatively stable in 2022. Consequently, the gain from CBs on fair value changes in FY2021 is more than that of FY2022, after taking into account all the information as at 31 December 2022.

   (b) The CBs are denominated in US dollars. When comparing the exchange rates at the beginning and the end of each year, the exchange rate of the US dollar depreciated against the RMB in 2021, while the US dollar appreciated against the RMB significantly in 2022. Therefore, an exchange gain was recorded in FY2021, while an exchange loss was recorded in FY2022.

(c) The amortised interest costs of the CBs are calculated using the effective interest method, which is done by calculating the amortised cost of a financial liability and by allocating the interest expense over the relevant period.

2. How will the EPS and NAV be affected upon maturity of the CBs.

Company's Response:

In accordance with the announcement released on 27 March 2023 (the "**27 March Announcement**"), the Company has on 24 March 2023 entered into an amendment agreement (the "**2023 Amendment Agreement**") with Glory Sky Vision Limited ("**CDH**"), Alpha Keen Limited, Green Hawaii Air Limited and Blue Starry Energy Limited (together with Alpha Keen Limited and Green Hawaii Air Limited, "**DCP**", and together with CDH, the "**Bondholders**").

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed to them in the 27 March Announcement.

Pursuant to the 2023 Amendment Agreement, the Company and the Bondholders have, *inter alia*, mutually agreed to extend the maturity date of the Convertible Bonds to the later of (i) 3 April 2025; or (ii) if so elected by the Bondholders, the date that is the 15th business day after the date on which the Company's audited financial statements for 2024 are issued (the "**New Maturity Date**"), as well as to make certain other amendments to the terms of the Convertible Bond Purchase Agreement and the CB Terms and Conditions (collectively, the "**Proposed Amendments**"). The Proposed Amendments will take effect upon obtaining Shareholders' approval at a special general meeting that will be convened in due course.

If the CBs are held until the New Maturity Date, which is envisaged to be in April 2025 as aforementioned, the Company will need to re-evaluate the fair value of the CBs on the New Maturity Date. Accordingly, the EPS and NAV of the Group will be affected and subject to further determination based on the following key factors:

(a) Whether Bondholders choose to exercise their Conversion Right and convert the CBs into Shares or require the Company to redeem the CBs on the New Maturity Date. Please refer to Paragraph 3 (*Rationale for the Entry into the 2023 Amendment Agreement and Directors' Views*) of the 27 March Announcement for further details regarding the impact of such conversion or redemption by the Bondholders on the Group;

(b) The change in fair value of the CBs on the New Maturity Date; and

(c) The operating earnings of the Group in the year of the New Maturity Date, which is envisaged to be 2025 as aforementioned.

It should be noted that FY2022 was one of the most challenging years ever faced by the Company since the inception of the GI business, when its business and operations were continuously confronted by tough macro-economic conditions, caused by various significant events such as the COVID-19 pandemic and geopolitical conflict. Despite these challenges, demand for steam remained strong and continued to grow in FY2022, with steam sales volume up 9.5% year-over-year to 8.68 million tons, GI recurring revenue up 38.9% year-over-year to RMB2.88 billion and GI recurring PATMI up 31.2% year-over-year to RMB158.2 million.

The Company's resilient business model will position it well to benefit from the growth prospects of its customer base and organic development of industrial parks where its GI projects are located due to the mandatory closures of small boilers, and the relocation of more factories into industrial parks especially in view of the tapering-off of the COVID-19 pandemic and the improved economic outlook in the PRC. Barring unforeseen circumstances, (i) the continued ramp-up of the Group's 10 existing projects in operation, (ii) the capacity expansion of existing operational plants, namely Yongxing project's solid waste plant, the launch of Shantou project phase 2, and Jining project phase 2 and (iii) the other 1 project, Shanxi Xinjiang project, is essentially completed and expected to start trial operation in 2023, are expected to sustain the Group's growth in FY2023 and beyond.

3. May I know how long the company's business will take, to bring investment returns?

Company's Response:

The Group has been committed to delivering and improving shareholders' value. In FY2021, the Group completed the disposal of its Manufacturing and Services ("**M&S**") business that it established in 1997. A substantial special dividend of S$0.2412 per share was subsequently paid out of the majority of the net proceeds of the disposal of the M&S business. This major corporate exercise generated substantial value for Shareholders and Bondholders and enhanced their investment returns.

Following the disposal of the M&S business, the Group's sole principal business is the green investments ("**GI**") business which invests in and operates centralised facilities that supply industrial steam, civil heating, and electricity. The GI plants typically have business-to-business arrangements and have the proven ability to generate long-term, high-quality, recurring income and cash flows through long-term concessions of typically 30 years and extensive networks of pipelines that enhance *de facto* exclusivity within their coverage areas. As steam is a non-discretionary production input for industrial users, the Group can require either pre-payment or payment after use. In addition, the Group has a price adjustment mechanism in place that links feedstock cost to the price of industrial steam, which allows reliable profitability across cycles in the long-term.

The GI business made its maiden contribution to the Group's financial performance in FY2017. Since then, it has proven its ability to sustain resilient financial performance and generate recurring cashflows despite external challenges. Between FY2018 and FY2022, steam sales volume grew by a compounded annual growth rate ("**CAGR**") of 25.2% while GI recurring revenue and GI recurring EBITDA grew by a CAGR of 40.6% and 21.3%

respectively. In particular, the Group still recognised notable year-over-year growth in FY2022 despite being continuously confronted by tough macro-economic conditions throughout the year, caused by various significant events, including the COVID-19 pandemic, the escalation of the geopolitical conflict, and the power curtailment due to extremely high temperatures during the summer of FY2022, that gave rise to challenges to the Group's business and operations.

Today, the Group has grown into a leading provider of clean industrial steam and industrial services with a sizeable and valuable portfolio of 10 GI projects in operation and 1 project essentially completed and expected to start trial operation in FY2023. The GI projects are still ramping up and, barring unforeseen circumstances, are well-positioned to sustain growth in view of the tapering-off of the COVID-19 pandemic and the improved economic outlook in the PRC. It is anticipated that further enhancement of shareholder value will come from the sizeable and valuable GI project portfolio which has been proven to be able to generate long-term, high-quality, recurring income and cash flows.

4. Please advise any plan to issue dividend for this current financial year.

Company's Response:

As disclosed above, FY2022 was the most challenging year ever since the inception of the GI business. Despite the challenging conditions, the Group still recorded notable year-over-year growth and the Board has proposed a first and final dividend of S$0.0013 per share for FY2022 in appreciation of the Shareholders for their continued trust and support. This follows the special dividend of S$0.2412 paid in FY2021 from the M&S disposal proceeds and marks the 12th consecutive year that the Company has declared a dividend since it started to pay dividends in FY2010.

Looking forward, the Company remains committed to delivering and improving value for its Shareholders and will make the appropriate announcements on any declaration of dividends as and when such decisions are made.

By Order of the Board

Ma Ming
Executive Director and Chief Executive Officer

27 April 2023

Forward-looking Statement

This response includes forward-looking statements and financial information provided with respect to the anticipated future performance and involve assumptions and uncertainties based on the Group's view of future events. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends, "plans," "believes," "estimates" and similar statements. Among other things, the responses on the Company's strategy, operations and business outlook may contain forward-looking statements. The actual results may vary from the anticipated results and such variations may be material. Accordingly, there can be no assurance that such projections and forward-looking statements can be realised. No representations or warranties are made as to the accuracy or reasonableness of such assumptions of the forward-looking statements and financial information based thereon. The Group undertakes no obligation to update forward-looking statements and financial information to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. The past performance of the Group is not necessarily indicative of the future performance of the Group.