



SUNPOWER GROUP LTD.

RESPONSE TO SGX'S QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS FOR FULL YEAR ENDED 31 DECEMBER 2015

In response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the board of Directors (the "Board") of Sunpower Group Ltd. (the "Company") wish to provide the following information:

Question 1

The reason for the decrease in "Amortisation of intangible assets – RMB981,000" reflected in page 2 of the full year results announcement (the "Announcement") as compared with the last financial year ended 31 December 2014 ("FY2014").

Question 2

The reason for the decrease in "Intangible assets – RMB2,534,000" reflected in page 3 of the Announcement as compared with FY2014.

Our Response to Question 1 and 2:

The Group will usually receive conditional advances for government grants for approved projects. Such amounts are recorded as other payables: "government grant received yet to be applied for qualifying purposes" (Page 78 of Annual Report 2014). In accordance to the Group's accounting policy, government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them. The company has consistently applied the same accounting method for the grants received.

The relevant authority issued its certificate of satisfactory completion and confirmation of the total amount of the grant in December 2015. Hence, RMB7.235 million of the government grant, which is related to the technical know-how, Zero Liquid Discharge (an intangible asset), was offset against the cost of the technical know-how in 2015. As the amortization of the technical know-how commenced in August 2013, the excess amortization of the technical know-how is also reversed in 2015.

The effects of the above on 2015 amortisation expense and carrying amount of intangible assets at 31 December 2015 are as follows:

RMB'000	Cost	Estimated useful life (months)	Total amortisation period till December 2014	Carrying amount as at 1 January 2015	Reduction of cost upon confirmation of satisfaction of terms of grant	Amortisation for FY2015	Reduction in amortisation of cost upon confirmation of grant	Carrying amount of ZLD technical know-how as at 31 Dec 2015
	a	b	c	d	e	f=-a/b	g=-a/b/12*c	h=d+e+f+g
Intangible asset - ZLD	12,142	60	17	8,700		(2,428)		6,272
Government grant for ZLD with conditions met as confirmed by the relevant authority	-7,235	60	17		-7,235	1,447	2,050	-3,738
Total	4,907			8,700	-7,235	-981	2,050	2,534

Question 3

The reason for the increase in “Goodwill – RMB5,483,000” reflected in page 3 of the Announcement as compared with FY2014.

Our Response:

The increase in Goodwill reflected in full year results announcement (“**FY2015 Announcement**”) as compared to FY2014 arises as a result of Sunpower’s acquisition of the entire capital of Hebei Changrun Environmental Ltd. (Refer to announcement dated 23 December 2015 (Reference: SG151223OTHRANN2) for more details).

Question 4

Whether as at the date of the Announcement (24 February 2016) the Company has used the proceeds from the placement, and whether the use of the proceeds is in accordance with intended use.

Our Response:

We refer to the Company’s announcement released on 23 December 2015 (“**Changrun Announcement**”), which made reference to the utilisation of Placement proceeds in connection with the Changrun Project. As disclosed in the Changrun Announcement, the Company has utilised RMB24.5 million (approximately S\$5.3 million) of the proceeds from the Placement for purposes of purchasing land in respect of the Changrun Project, the utilisation of which is consistent with the intended use as disclosed in the Company’s circular to shareholders dated 20 November 2015. Details of the Changrun Project, including the estimated investment amount contemplated for the Changrun Project can be found in the Changrun Announcement.

The Company has not disclosed the above contents in FY2015 Announcement. The Company will update this information in future financial results announcements and compliance checklists accordingly.

As of to date, the Company has utilised a total of approximately RMB53.0 million (approximately S\$11.5 million) for the Changrun Project, and RMB28.5 million (approximately S\$6.2 million) in connection with the Lianshui Project. This was announced on 21 January 2016 and 25 February 2016 respectively (Reference: SG160121OTHRA930 and SG160225OTHRWFSO). For clarity, the Company has made an announcement via SGXNET on 8 March 2016 for clarification on use of proceeds from the Placement (Reference: SG160308OTHRKLL4).

By Order of the Board

Ma Ming
Executive Director

15 March 2016