



SUNPOWER GROUP LTD.

(Company Registration No. 35230)

(Incorporated in Bermuda with limited liability)

PROPOSED ACQUISITION OF HENGTONG GROUP'S 100% EQUITY INTEREST IN ZHANGJIAGANG THERMAL POWER CO., LTD. AND ITS 40% EQUITY INTEREST IN HENGTONG ELECTRICITY SALES CO., LTD.

1. Introduction of the Transaction

1.1 The board of directors (the “Board”) of Sunpower Group Ltd. (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) (“Sunpower Clean Energy”), a wholly-owned subsidiary of the Company, has entered into two conditional share transfer agreements (the “**Agreements**”) with Hengtong Group (亨通集团有限公司) (the “Vendor”).

Pursuant to the Agreements, Sunpower intends to acquire the Vendor's 100% equity interest in Zhangjiagang Yongxing Thermal Power Co., Ltd (张家港永兴热电有限公司) (“**Target A**”) and its 40% equity interest in Jiangsu Hengtong Electricity Sales Co., Ltd. (江苏亨通售电有限公司) (“**Target B**”) subject to the terms and conditions of the Agreements (the “**Proposed Acquisition of Target A**” and the “**Proposed Acquisition of Target B**”, collectively, the “**Transaction**”).

2. Information on the Target and the Vendors

2.1 Information on Target A

Established in 2006, Target A is a company incorporated in China with registered capital of RMB80 million. Its principal business activities include the supply of steam to industrial enterprises, and the sale of electricity to the State Grid Corporation of China (“State Grid”).

According to “Cogeneration Facilities Planning of Zhangjiagang City (2011-2015)”, Target A is currently one of the two centralized steam plants in southeastern Zhangjiagang and it meets the bulk of steam requirements by the industrial facilities in the region as the other steam plant was built by another company for the main purpose of satisfying its internal power needs. As at end 2017, Target A supplies steam to 130 customers.

In addition, Target A holds 60% equity interest in Target B.

2.2 Information on Target B

Established in 2016, Target B is a company incorporated in China with registered capital of RMB20 million. Target B's principal business activity will be in the trading of electricity, which it will procure from other power plants and then sell to local end users. Target B obtained its licences in early 2018 and has not commenced operations yet.

Hengtong Group, the Vendor, holds the remaining 40% equity interest of Target B.

2.3 Information on the Vendor

Hengtong Group is a national innovation enterprise with diversified businesses that includes the construction and operation of fiber optic and electric power network, financial services, capital investment, industrial internet, and cultural and tourism real estate. Hengtong is the largest systems integrator and network service provider in fiber optic network and electric power network market in China, and one of the top three brands of optical fiber communication in the world. In addition, it is also one of the top 500 enterprises and top 100 private enterprises in China.

3. Rationale of the Transaction

The Company has entered into the Transaction due to various factors including the following:

3.1 Continued execution of the Group's strategy to build a sizeable Green Investments (GI) portfolio that generates long-term, high-quality and recurring income and cashflows

The Group has set out its medium-to-long term strategy to focus on building a sizeable GI portfolio of assets as its value creator and growth driver. Such a GI portfolio, if successfully built and realized, will deliver substantial net present value to the Group. The Acquisition is aligned with the Group's strategy to further expand its GI business by leveraging on its unique competitive edge and first mover advantage.

3.2 Target A has delivered a solid operational performance over the past two years

Based on information gathered by the Group through enquiries, Target A's steam and electricity sales business has been stable, and growing with good margins over the past two years due to its solid customer base in the local area and operational capabilities.

3.3 There is growth potential for the steam business in the future and the existing sizeable steam pipeline network could support the immediate growth

With the increased enforcement of the mandatory closure of coal-fired boilers with a unit capacity of 35 tons/hour (t/h) and below in Zhangjiagang, the demand for Target A's steam is expected to grow in the near future. In addition, the organic growth and expansion of the industries in the region will also be a major catalyst underpinning the potential growth in demand, given that Zhangjiagang is an economically developed city with a favorable environment for investment and development of various industries.

In addition, the length of Target A's existing steam pipeline is over 160 kilometers. This sizeable pipeline network will be able to support the immediate expansion of the customers within the coverage area.

3.4 Target A is the de facto exclusive centralized steam supplier in its coverage area

As a key centralised steam/electricity plant in southeastern Zhangjiagang, Target A serves the majority of companies operating in the region, and is the de facto exclusive steam supplier to facilities located within the coverage of its steam pipeline. This ensures the long-term recurring demand for Target A's steam.

3.5 Target B is a licensed electricity sales company which will facilitate the development of the Group's electricity trading business

It is not easy for a private company to obtain electricity sales licences in China. Therefore, with Target B's legitimate licences, the Group will be able to procure electricity generated by other cogeneration plants at a lower cost, and sell it to local end users at a higher price. This will bring stable income and

generate recurring cashflows for Sunpower.

4. About the Transaction

4.1 About the Proposed Acquisition of Target A

4.1.1 Deposit for share transfer

The Group shall pay RMB50 million as deposit (the “Deposit”) to the Vendor within five business days after signing of the Agreements. The Deposit is refundable if Sunpower decides to cancel the Transaction in the event that any one of the conditions set out in section 4.1.3 is discovered during the due diligence process.

4.1.2 Due diligence

The Group will start to conduct the overall due diligence on Target A and engage a third-party valuer after the payment of the Deposit. The Vendor shall be supportive of the due diligence and proactively provide the required information and materials. The Group shall complete the due diligence within 60 working days.

4.1.3 Conditions for Sunpower not to proceed with the Transaction after due diligence

As set forth in the Agreements, Sunpower can cancel the Transaction together with the refund of the deposit of RMB50 million if any of the following deficiencies or circumstances are found in the due diligence on Target A:

- 1) Target A has materially breached the relevant laws, regulations, policies, and/or governmental regulations;
- 2) Target A’s existing qualifications, licences, and other legitimate documents are inadequate or not fully compliant with the related laws or regulations;
- 3) Target A and its affiliates have other undisclosed debt, external guarantee, penalties, lawsuits and arbitration or other contingencies in addition to those are included in the Agreements;
- 4) The inaccuracy, untruthfulness and incompleteness of the information or materials that is provided by the Vendor;
- 5) Target A’s audited net income after tax for FY2016 and FY2017 is 10%, or more than 10% lower than the respective results mutually agreed in the Agreements;
- 6) Any findings related to Target A and its affiliates’ unsolved material accidents, including but not limited to major safety incidents, and serious defects in their key equipment and facilities; and
- 7) Other deficiencies or circumstances that are proposed by Sunpower as protective provisions, in the interests of the Group.

Sunpower will proceed with the Proposed Transaction if none of the above Conditions set forth in the Agreement are triggered.

4.1.4 Consideration

The proposed purchase consideration by the Vendor for the Proposed Acquisition of Target A is RMB765 million (the “Consideration”), including interest, as the Consideration will be paid in tranches.

If the Group proceeds with the Transaction after the due diligence, updates on the valuation results issued by the independent valuer will be announced as and when available.

4.2 About the Proposed Acquisition of Target B

4.2.1 Consideration

The proposed purchase consideration for Vendor's 40% equity interest in Target B is RMB8 million. The consideration was arrived at on a willing-buyer, willing-seller basis, after arm's length negotiations, and after taking into consideration of the paid-in registered capital of Target B.

4.2.2 Conditional Terms for the Proposed Acquisition of Target B

The Proposed Acquisition of Target B is conditional upon the Company proceeding with the Proposed Acquisition of Target A after the due diligence.

5. Interests of Directors and Substantial Shareholders

None of the directors or controlling shareholders of the Company have any direct or indirect interest in the Transaction, other than through their respective shareholdings in the Company (if any).

6. Others

Barring any unforeseen circumstances, the Transaction, if successfully completed and executed, is anticipated to have a positive impact to the Company's FY2018 results. The Group will announce the progress of the Transaction in due course and will provide the update on the potential financial effects of the Transaction upon completion. No person is proposed to be appointed as a director of the Company in connection with the Transaction.

BY ORDER OF THE BOARD

Ma Ming

Executive Director

9 July, 2018