

SUNPOWER GROUP LTD.

UPDATE ON USE OF PLACEMENT PROCEEDS AND THE NEW PROJECTS

*Unless otherwise defined, capitalised terms used in this announcement shall bear the same meaning as ascribed to them in the Company's circular to shareholders dated 20 November 2015 ("**Circular**") and announcements and corporate presentations dated 23 December 2015, 21 January 2016, 3 February 2016, 24 February 2016, 25 February 2016, 8 March 2016 and 13 May 2016 in relation to the New Projects (collectively, "**Announcements**").*

1. INTRODUCTION

The Board of Directors ("**Board**") of Sunpower Group Ltd. ("**Company**" and its subsidiaries, "**Group**") wishes to update shareholders of the Company ("**Shareholders**") on the use of the Placement proceeds and the Group's progress in relation to the New Projects secured, namely, the Changrun Project, the Quanjiao Project and the Lianshui Project.

2. UPDATE ON USE OF PLACEMENT PROCEEDS

As of 31 May 2016, the Company has utilised approximately RMB110.49 million (approximately S\$24.07 million) of the net proceeds raised from the Placement completed on 30 December 2015 ("**Placement Proceeds**"), comprising approximately RMB79.45 million (approximately S\$17.30 million) for the Changrun Project, RMB2.54 million (approximately S\$0.55 million) for the Quanjiao Project and RMB28.50 million (approximately S\$6.20 million) for the Lianshui Project.

Project	Use of Placement Proceeds	Amount ⁽¹⁾
Changrun	Purchase of land and payment to suppliers in respect of the Changrun Project.	RMB79.45 million (approximately S\$17.30 million)
Lianshui	Investment in Lianshui Sunpower Clean Energy Co., Ltd., being the joint venture investment company in respect of the Lianshui Project.	RMB28.50 million (approximately S\$6.20 million)
Quanjiao	Payment to suppliers in respect of the	RMB2.54 million (approximately

	Quanjiao Project.	S\$0.55 million)
Total Placement Proceeds utilised		RMB110.49 million (approximately S\$24.07 million)
Balance Placement Proceeds available for use		RMB103.23 million (approximately S\$22.49 million)

Note:

(1) Based on the exchange rate of RMB4.59:S\$1.

Each of the above utilisation of Placement Proceeds is consistent with the intended use as disclosed in the Circular. The Company will continue to provide updates on the use of Placement Proceeds as and when such Placement Proceeds have been materially disbursed.

3. UPDATE ON THE NEW PROJECTS

As mentioned in the Circular, the Placement was conditional upon definitive agreements relating to the New Projects being entered into, as funds were raised from the Placement for purposes of the New Projects. Simultaneously, investors and placees invested in the Company due to, *inter alia*, its growth potential including but not limited to procurement of the New Projects. The Board is pleased to update Shareholders on the progress made in relation to various New Projects the Group has successfully procured.

3.1 Changrun Project

(a) Background to the Procurement of the Changrun Project

The Changrun Project was first introduced to the Group by Dr Lin Yucheng ("**Dr Lin**"). Further details on Dr Lin are set out in paragraph 3.1(d) below. There were no fees or commission paid to Dr Lin, and he did not participate in any negotiations between the Group and the local Gaoyang County government ("**Local Government**").

Following the introduction by Dr Lin, the Group conducted in-depth due diligence on the Changrun Project, and entered into the competitive negotiation for the project. The Group was able to come out ahead of the competition and succeed due to, amongst others, its advanced technical capabilities. Thus, the success of the Changrun Project is a testimony of the Group's reputation, technology know-how and track record of successfully implementing large scale projects.

With the Group's technology, including but not limited to its long distance heat insulated steam distribution pipes, the Changrun Project's centralised steam and electricity facility with ultra-low carbon emission ("**Changrun Facility**") will be a single centralised plant which caters to the entire Gaoyang Circular Economy Industrial Park ("**Industrial Park**"). In addition, the Changrun Facility is being built at a strategic and economically viable location, and will distribute steam to approximately 70 manufacturing plants scattered throughout the Industrial Park across a distance of up to about 20.5km. The expertise and technology offered by the Group not only meet the needs of the Industrial Park, but also achieve the PRC government's green and circular economy initiatives.

(b) Construction and Operation of the Changrun Facility

The Group was required to apply for a construction licence in order to construct the Changrun Facility. As the time necessary for the construction licence application and obtaining the relevant approvals was outside the Group's control, this could have potentially delayed the Changrun Facility construction timeline. However, the opportunity was presented to the Group to acquire Hebei Changrun Environmental Ltd ("**HCE**"), which owned the requisite construction licence. Thus, following the Group acquisition of HCE in December 2015, the Group was able to commence construction of the Changrun Facility soon after the Announcement on 23 December 2015. The Changrun Facility is anticipated to commence operations by first quarter of 2017.

HCE was acquired by the Group from its then sole shareholder, Mr Li Li, who is the Senior Deputy CEO of CITIC Envirotech Ltd ("**CEL**") and who holds approximately 0.45% of the shares in CEL. Mr Li Li does not have any interest in the shares in the capital of the Company ("**Shares**").

Another critical aspect of the Changrun Project is the Group's procurement of the exclusive 30-year concession agreement ("**Changrun Concession Agreement**") from the Local Government on terms and conditions favourable to the Group, following almost six months of negotiation and detailed discussions with the Local Government. Shareholders may refer to the Announcement dated 13 May 2016 for information on the salient terms of the Changrun Concession Agreement.

(c) Potential use of sludge, treated wastewater and electricity from the Wastewater Facility

As mentioned in the Announcement dated 23 December 2015, the Changrun Facility is able to use recycled water and sludge produced by the wastewater treatment and water recycling facilities in the Industrial Park ("**Wastewater Facility**"), which is owned by CEL, to produce steam and as a small portion of feedstock in replacement of coal, respectively. The Wastewater Facility discharges sludge, which is a resultant waste product from the wastewater treatment process and has been a long standing problem for wastewater treatment plants. To achieve the

objectives of the PRC government's green and circular economy initiative, the Group may substitute a small portion of its feedstock using sludge from the Wastewater Facility in the event that it is in the economic interests of the Group. In addition, the Changrun Facility may, when it commences operations, supply electricity to the Wastewater Facility as it is located within the Concession Area.

As at the date of this announcement, the Group and CEL have not entered into any transactions nor have they commenced any negotiation on the processing of sludge from the Wastewater Facility. The Board will update Shareholders as and when appropriate.

(d) Any potential transaction between the Group and CEL is unlikely to be an interested person transaction

In the event that negotiations with CEL in respect of any transaction in connection with the Changrun Project are successful, such transaction would not constitute an interested person transaction (as defined in Chapter 9 of the Listing Manual).

To the best of the Company's knowledge and based on publicly available information, none of Dr Lin, Ms Pan Shuhong, Mr Li Li or CEL falls within the definition of an interested person as none of them is a director, chief executive officer or controlling Shareholder of the Company nor an associate of any such persons. Furthermore, Dr Lin, Ms Pan Shuhong and Mr Li Li are not associates (as defined in the Listing Manual) of one another.

Dr Lin is a substantial Shareholder, holding approximately 13.56% of the share capital of the Company, comprising 100,000,000 Shares which were subscribed for and allotted and issued under the Placement. He is the Chief Executive Officer and an Executive Director of CEL and has an interest in approximately 3.80% of the shares in CEL.

Ms Pan Shuhong is a substantial Shareholder, having an interest in approximately 11.60% of the share capital of the Company (on a fully diluted basis after taking into account the Placement). Her interest in the Company was acquired prior to the Placement. She did not subscribe for any Shares under the Placement. She is the Group Chief Operating Officer of CEL and is interested in approximately 5.06% of the shares in CEL.

3.2 Quanjiao Project

As mentioned in the Announcement dated 12 May 2016, the first phase of Quanjiao Project is expected to be completed in the third quarter of 2016. As of 31 May 2016, the Company has utilised approximately RMB2.54 million (approximately S\$0.55 million) for the Quanjiao Project.

3.3 Lianshui Project

As mentioned in the Announcement dated 12 May 2016, the Lianshui Project is expected to begin operations in the second half of 2016. As of 31 May 2016, the Company has utilised approximately RMB28.50 million (approximately S\$6.20 million) for the Lianshui Project.

BY ORDER OF THE BOARD

Mr Ma Ming

Executive director

15 June 2016