



SUNPOWER GROUP LTD.

(Company Registration No. 35230)

(Incorporated in Bermuda with limited liability)

PROPOSED ACQUISITION OF A 90% EQUITY INTEREST IN CHANGSHU SUYUAN THERMAL POWER CO., LTD

1. Introduction of the Transaction

The board of directors (the “**Board**”) of Sunpower Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that it has executed a conditional Share Sale and Purchase Agreement (the “**Agreement**”) with Jiangsu Geqiu Environmental Technology Co., Ltd. (“**Jiangsu Geqiu**” or “**江苏鹤球环保科技有限公司**”) and another 11 shareholders (the “**Vendors**”) and is in the process of acquiring a 90% equity interest in Changshu Suyuan Thermal Power Co., Ltd (常熟苏源热电有限公司) (the “**Target**”) (the “**Proposed Acquisition**”).

2. Information on the Target and the Vendors

2.1. Information on the Target

Established in 2003, the Target is incorporated in China and located in the Yushan New & High-tech Industrial Development Zone (the “**Yushan High-tech Zone**”) in Changshu, Suzhou, Jiangsu Province. With a designed capacity of 1x90 tons/hour (t/h)+ 2x75t/h and 1xB7MW of steam and electricity, its principal business activities include the supply of steam to industrial enterprises and the sale of electricity.

2.2. Information on the Vendors

Jiangsu Geqiu was established in 1987 and is incorporated in China. It is located in the Yushan High-tech Zone and is engaged in the environmental protection related business in Suzhou. Jiangsu Geqiu holds a 46.3% interest equity in the Target. The other vendors, who collectively hold a 43.7% equity interest in the Target, comprise 9 individual and 2 corporate shareholders.

3. Rationale of the Transaction

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

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

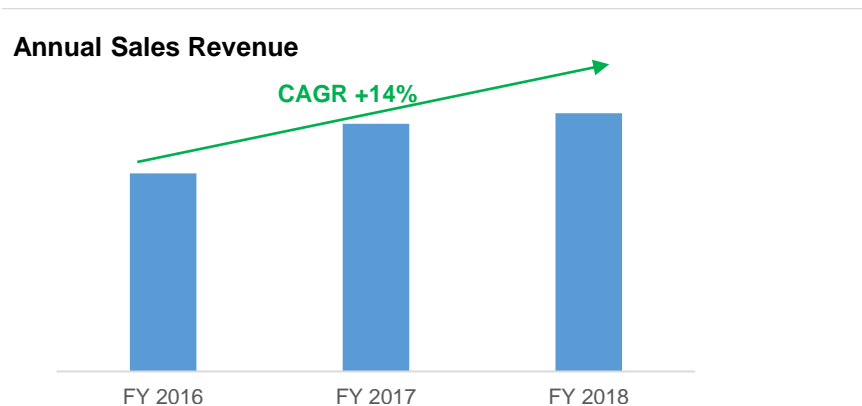
The Group has set out its medium-to-long term strategy of building a sizeable GI portfolio of assets as its value creator and growth driver. Such a GI portfolio, when successfully executed, will deliver high net present value of cashflows to the Group. The Proposed Acquisition is in line with the Group’s strategy to further expand its GI business by leveraging on its unique competitive edge.

3.2 The Target is the exclusive centralized steam supplier within its coverage area in Changshu

According to the Changshu City 2017-2020 Co-generation Plan, Changshu City is divided into four main areas that require centralized steam supply. The Target is mainly responsible for supplying steam to users in the north of the main urban area and the Yushan High-tech Zone. At present, the Target's customers are mainly concentrated in the Yushan High-tech Zone.

3.3 The Target's existing steam and electricity businesses are growing steadily

The Target currently operates a centralized steam plant within the Yushan High-tech Zone that meets the bulk of steam requirements by the industrial facilities. The Target supplies steam to 49 customers that are mainly in the textile printing and dyeing industries and its sales revenue has recorded a steady growth over the past 3 years.



In addition, the Group expects to upgrade the Target once the Proposed Acquisition is complete, leveraging on its proprietary technologies, extensive experience and expertise to enhance the overall operational efficiency of the plant.

3.4 The demand for industrial steam of the Target is expected to grow significantly in the future

Under "Implementation Plan to Reduce Total Coal Consumption" (常熟市 "两减六治三提升" 专项行动减少煤炭消费总量实施方案) and "Implementation Plan to Rectify Small and Inefficient Boilers" (常熟市燃煤锅炉整治专项行动实施方案) issued by the Changshu government, small "dirty" coal-fired boilers with unit capacities of 10 to 35 t/h of steam will be mandatorily shut down and phased out by the end of 2019.

In light of this regulation, the demand for the steam generated by the Target is expected to grow significantly after the closure of the small coal-fired boilers that the companies are utilizing in the Yushan High-tech Zone. As a result, this will lead to an attractive valuation for the Proposed Acquisition.

3.5 Resilient customers coupled with a highly established industry cluster in the local area

The textile industry has been a mainstay of Changshu for the last 40 years with current turnover of over RMB 100 billion. Changshu has established a full value chain spanning spinning, printing & dyeing, weaving and garments, of which, printing and dyeing industry is an integral part. As a result, there exists a mature industry cluster, with ready upstream, midstream and downstream players in place for decades.

The printing and dyeing companies situated in the Yushan High-tech Zone are in the midstream of the value chain and remain resilient benefiting from the strong infrastructural support from the highly established industry cluster. Moreover, the blossom of the garment industry in Changshu also drives the development of the local printing and dyeing companies.

In light of the above, the Board is of the view that the Proposed Acquisition would allow the Group to bring in an additional revenue stream which would in turn improve shareholder value and return.

4. Salient terms of the Proposed Acquisition

4.1 Due diligence

The Group is in the process of carrying out overall due diligence on the Target and has engaged a third-party valuer, Jiangsu Huaxin Asset Evaluation Co., Ltd. (“Jiangsu Huaxin” or “江苏华信资产评估有限公司”). Jiangsu Huaxin is a top valuer in Jiangsu Province, China.

Updates on the valuation results issued by the independent valuer will be announced as and when available.

4.2 Consideration

The aggregate purchase consideration for the Proposed Acquisition is estimated to be approximately RMB 320 million and will be adjusted based on the actual results of due diligence on the Target on the closing date (the “Consideration”). The Consideration was arrived at after arm’s length negotiation, on a willing-buyer, willing-seller basis.

4.3 Payment

The Company is required to pay RMB25 million as deposit (the “**Deposit**”) to the Target after signing the Agreement, and shall pay the Consideration in two tranches depending on the results of the due diligence and if the conditions set forth in the Agreement are fulfilled by the Target.

The Company may cancel the Proposed Acquisition and request the refund of the payment if the results of due diligence are not satisfactory.

5. Others

Barring any unforeseen circumstances, the Proposed Acquisition, once complete, is anticipated to have a positive impact on the Company’s FY2019 results. The Group will provide an update on the progress of the Proposed Acquisition in due course, as well as an update on the potential financial effects upon completion of the Proposed Acquisition.

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

6. 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).

BY ORDER OF THE BOARD

Guo Hong Xin

Executive Chairman

24 July 2019