



SUNPOWER GROUP LTD.

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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:

With reference to the unaudited financial statements for the quarter ended 31 March 2019, please provide an explanation for

- (i) increase in other operating expenses
- (ii) decrease in balance sheet item of financial assets at fair value through other comprehensive income (current).

Our Response:

- (i) Increase in other operating expenses of RMB 5.7 million resulted mainly from the increase in provision of bad debt of RMB 6.4 million, offset by the decrease in other expenses of RMB 0.8 million.
- (ii) Decrease in balance sheet item of financial assets at fair value through other comprehensive income (current) resulted mainly from less notes receivables held by the Group that were due as of 31 March 2019.

Question 2:

Please provide further elaboration on how the fluctuation in share price during the quarter has led to an increase in fair value changes on convertible bonds from a gain of RMB 51.1 million in 1Q2018 to a loss of RMB 77.8 million in 1Q2019.

Our Response:

Fair value change on convertible bonds is due to the change in fair value of derivatives; computation of fair value of derivative liability is computed using the binomial option pricing model which relies on a number of inputs including share price, exercise price, expected volatility, risk-free rate and remaining tenure of the convertible bonds.

Increase in share price during 1Q2019 resulted in an increase in fair value of derivative; consequently leading to a fair value loss on convertible bonds held by Sunpower.

Conversely, the decrease in share price during 1Q2018 resulted in a decrease in fair value of derivative, leading to a fair value gain on convertible bonds held by Sunpower.

In view of the issuance of convertible bonds on 15 October 2018 ("CB2"), the Performance Targets of convertible bonds issued on 3 March 2017 ("CB1") have been deferred from FY 2017/2018/2019 to FY 2020/2021. In addition, the fair value change on convertible bonds in 1Q2018 only consists of fair value change relating to CB1, while the fair value change on convertible bonds in 1Q2019 consists of fair value changes relating to both CB1 and CB2 including the warrants taking into account the abovementioned deferment.

Question 3:

Please explain the basis for the reversal of impairment allowance on trade and non-trade receivables of RMB 9.863 million for the quarter ended 31 March 2019.

Our Response:

The impairment allowance provided on trade and non-trade receivables was reversed as these receivables were collected during 1Q2019.

Question 4:

Please disclose a confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Listing Rule 720(1).

Our Response:

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

By order of the Board

Ma Ming
Executive Director

21 May, 2019