中聖集團
SUNPOWER GROUP LTD.

BE THE **SOLUTION**
NOT THE **POLLUTION**

ANNUAL REPORT 2023

# CORPORATE PROFILE

Sunpower Group Ltd. (SGX stock code: 5GD.SI) was established in 1997 and publicly listed on the SGX-ST (Singapore Exchange Securities Trading) in 2005. It is a leading centralised provider of clean industrial steam to industrial parks, civil heating to households, electricity to the State Grid, and other industrial products such as compressed air, in China. Its sizeable portfolio of Green Investments ("**GI**") projects help China attain its Carbon Peak and Carbon Neutrality goals by facilitating the development of the circular economy and through initiatives such as the clean and efficient use of feedstock and diversification of feedstock sources to include industrial sludge, biomass and general solid waste.

Sunpower's proven GI business model enabled a quick recovery in 2023 from the significant challenges of the past few years with growth and improvement in profit margins. With 11 projects in commercial operation, the GI business continued to demonstrate its capacity to generate long-term, high-quality, recurring income through its strong market position to supply steam, which is a non-discretionary input product, to a large base of captive customers that provides resilient demand. The GI projects have typically exclusive concessions, an extensive network of pipelines that enhances their *de facto* exclusivity for industrial steam supply, and effective refined management practices.

The Group is committed to enhancing shareholders' value and investor return with its valuable portfolio of GI assets that first started to contribute positively to financial results in 2017. In 2021, the Group completed the disposal of the original Manufacturing and Services ("**M&S**") business and paid a substantial special dividend of S$0.2412 per share to bondholders and shareholders from the proceeds of the disposal. Following the M&S disposal, the GI business became the principal business of the Group. In the long run, the GI business is well positioned to realise long-term growth potential and enhance value for shareholders and benefit from the growth potential of the centralised steam supply industry.

## CONTENTS

# KEY AWARDS AND ACCREDITATIONS

Sunpower has been honoured with multiple awards for its outstanding performance and accomplishments. Its commitment to sustainable development and environmental conservation has been acknowledged through membership in several environment and energy associations.

TOP 500

2023 China Energy Enterprise (Group) Top 500 List

Deloitte Best Managed Company Award in China

China Well-Known Trademark

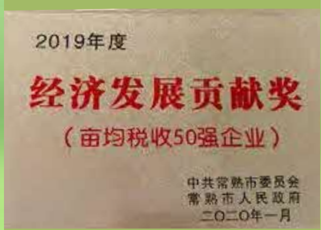
National Key Protected Brand


Advanced Unit for Green and Low-Carbon Development under 14th Five-Year Plan


Model Enterprise For Promotion of Low-Carbon Environmental Protection


Jiangsu Provincial Water-Conserving Enterprise


Excellent Enterprise in Steam Supply Industry in Suzhou




Economic Development Contribution Award


Advanced Enterprise in Safe Production


Member of China Association of Environmental Protection Industry


Member of Hebei Association of Environmental Protection Industry


Member of Jiangsu Association of Environmental Protection Industry


Member of Jiangsu Energy Industry Association

**Selected Awards and Accreditations (among others)**

| No. | Name of Award/Accreditation |
|---|---|
| 1 | Innovative Small And Medium-Sized Enterprises In Guangdong Province |
| 2 | High-tech Enterprise of Guangdong Province |
| 3 | Specialised and Sophisticated Small And Medium-Sized Enterprises that Produce New and Unique Products in Guangdong Province |
| 4 | Enterprise of Health in Hebei Province |
| 5 | Advanced Group of Pioneer Workers in Xinjiang |

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

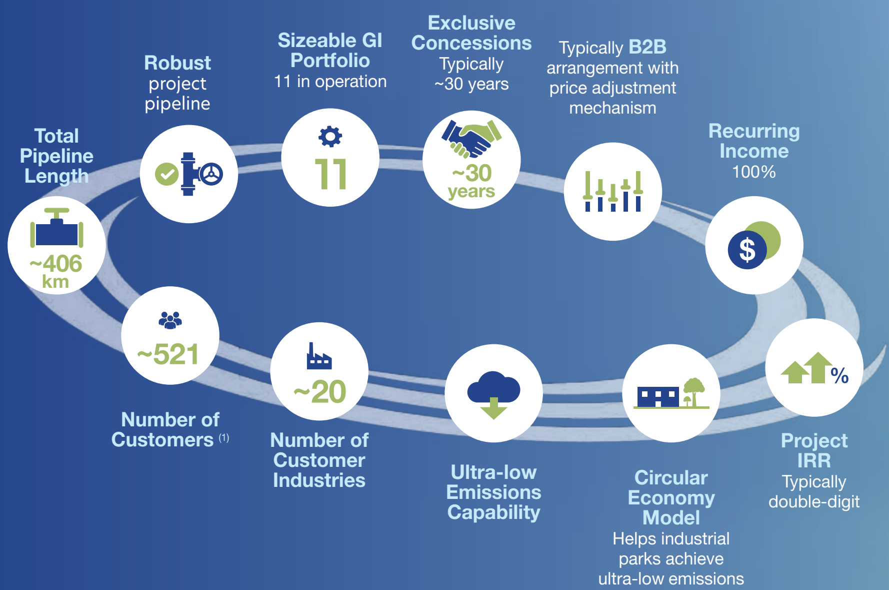
## OVERVIEW OF GI BUSINESS

Sunpower is a leading provider of clean steam and industrial services. It operates centralised high-efficiency facilities that supply clean industrial steam to a diverse range of industries, pollution-free civil heating to a large base of households, and electricity to the State Grid. It also supplies complementary products and services to industrial park enterprises.

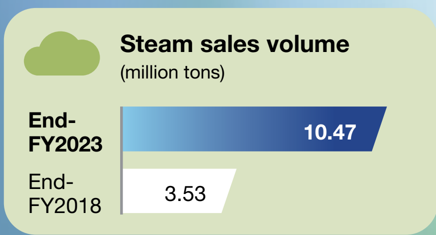
The GI business has expanded rapidly and grown into a sizeable portfolio where it has started to benefit from economies-of scale. From 4 operational projects in FY2017, Sunpower has grown to 11 projects in commercial operation at the end of FY2023. The total pipeline length has increased by more than 6 times from FY2017 to 406 km by the end of FY2023. As a result, GI steam sales volume has reached 10.47 million tons in FY2023 compared to 3.53 million tons in FY2018, and GI steam sales revenue has surpassed RMB 3 billion within 7 years.

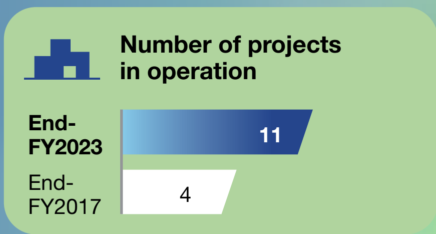
The valuable GI projects are backed by an adaptable business model. At the core is the typically exclusive concession rights and extensive networks of pipelines that strengthen *de facto* exclusivity. Also, a large and diversified base of captive customers from more than 20 industries provides resilient demand as the steam supplied is a non-discretionary input product. Further, GI projects typically operate on a B2B model with a price adjustment mechanism that links feedstock costs to industrial steam prices, and are typically able to require prepayment or payment after use. In addition, they have the flexibility to use diversified sources of feedstock. With this adaptable business model, GI projects generate long-term, high-quality, recurring income. Moreover, the Group's long-term development strategy is aligned with national energy and environment policies that facilitate China's Carbon Peak and Carbon Neutrality goals.

The Group will continuously ramp up its existing GI projects, underpinned by growth drivers such as continuous closures of small dirty boilers that drive demand to centralised facilities, the relocation of new enterprises into industrial parks, the organic growth of customers and/or the long-term structural development of industrial parks. Meanwhile, the Group will continuously evaluate its robust pipeline for quality projects with potential.




### Valuable GI project portfolio has rapidly expanded over the years




Changrun Project

Yongxing Plant

Shantou Project

Suyuan Plant

Lianshui Project

Quanjiao Project

Xinyuan Plant

Xintai Zhengda Project

Tongshan Project

Jining Project

Shanxi Xinjiang Project

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

## DEVELOPMENT STRATEGY ALIGNED WITH NATIONAL CARBON PEAK AND CARBON NEUTRAL POLICIES


Sunpower's long-term development strategy is aligned with national energy and environment policies that facilitate China's Carbon Peak and Carbon Neutrality goals. Its GI projects help to develop green infrastructure and industries, and have the flexibility to use diversified sources of feedstock. They enable energy conservation and emission reduction through the application of the circular economy model and the development of centralised clean steam generation facilities.

"Multiple" pollution sources can be eliminated with just "One" centralised GI plant. Centralised GI plants help industrial parks to attain ultra-low emission status and their enterprises to comply with emissions standards. Further, GI projects reduce emissions of dust, sulfur dioxide ($SO_2$), and nitrogen oxide ($NO_x$) by over 60,000 tons annually by facilitating the shutdown of hundreds of small dirty boilers and the environmentally-friendly disposal of potential pollution sources such as industrial sludge.

July 2021
**14th Five-Year Plan for Circular Economy Development[1]**

- Promotes development of circular economy industrial parks
- Promotes centralised steam facilities and Circular Economy Development
- Promotes more efficient resource utilisation
- Promotes mass production model that emphasises resource conservation and recycling

Oct 2021
**Action Plan to Realise Peak Carbon Emissions by 2030[2]**

- Promotes the circular development of industrial parks and implements the transformation to circular development in industrial parks
- Promotes the circular production of enterprises in industrial parks
- Promotes cascade utilisation of energy and recycling of water resources
- Actively promotes centralised supply of gas and steam

Oct 2022
**20th National Congress on Carbon Peak, Clean & Efficient Use of Feedstock[3]**

- To reach Carbon Peak in a well-planned and phased way
- To better adjust and control the amount and intensity of energy consumption
- To promote the clean and high-efficiency use of feedstock
- To improve the statistics and accounting system and the cap-and-trade system for carbon emissions

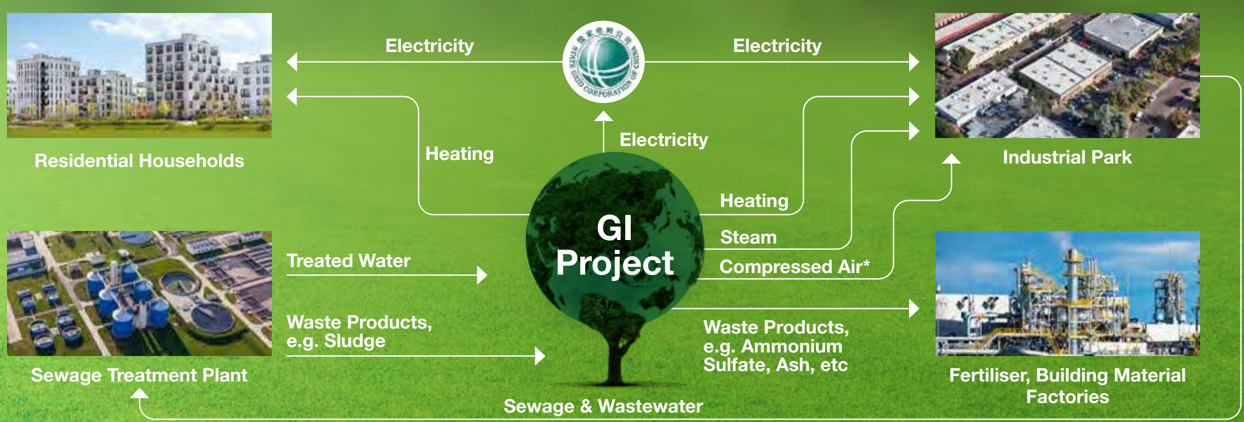
Dec 2021
**Zoning Policy in the Notice of the Comprehensive Plan to Implement Energy Conservation and Emission Reduction in the 14th Five-Year Plan by the State Council[4]**

Directs enterprises to gather in and relocate to industrial parks and promotes the optimisation of overall energy systems in the industrial parks

1 http://english.www.gov.cn/policies/policywatch/202107/08/content_WS60e639b0c6d0df57f98dc92b.html
2 https://www.gov.cn/zhengce/zhengceku/2021-10/26/content_5644984.htm?eqid=f712a99400026321000000056463 97d0
3 http://english.www.gov.cn/news/topnews/202210/25/content_WS6357df20c6d0a757729e1bfc.html
4 https://www.gov.cn/gongbao/content/2022/content_5674299.htm?eqid=efbbeb1a00012d3e00000006645c4641

## Pioneer Adopter of the Circular Economy Model ("CEM")

The 14th Five-Year Plan promotes the development of circular economy industrial parks and centralised steam facilities.




* Certain projects supply compressed air products.

## Benefits

**Society**

- Achieves the comprehensive utilisation of resources.
- Helps solve people's livelihood problems and improves their well-being.
- Facilitates the development of the circular economy of the country.

**Industrial Parks**

- Helps parks eliminate multiple sources of pollution risks, and ensure safe and controlled emissions.
- Helps enterprises to achieve quality and sustainable development.
- Help parks attract new investments and expand further, thus achieving win-win development.

**Shareholders**

- Realises additional revenue from sludge treatment and sale of waste products.
- Realises greater economies-of-scale from an integrated operational model.
- Reduces costs from measures such as blending sludge as a feedstock substitute and use of treated recycled water.

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

## BUSINESS MODEL THAT BUILDS VALUABLE ASSETS

Sunpower's Value Proposition: To be a leading industrial services provider that builds valuable project assets with superior capabilities and long-term growth potential

### Leading Industrial Services Provider

- Clear strategic position that focuses on providing clean industrial steam and industrial services through GI projects that generate long-term, high-quality, recurring income
- Rapid scale-up to 11 GI projects in commercial operation by 2023
- Located in areas with strong economic viability in economically developed areas or industry clusters of excellence
- A large and solid base of ~ 521 industrial customers
- **Diversified customer base from ~20 industries**
- Network of pipelines now extends to ~406km
- Pioneer and early mover in development of circular economy
- Practices ESG and sustainability values in every aspect of its business

### Superior Capabilities

- **Industrial steam is a non-discretionary key input product for industrial customers that are an integral part of the development of the local infrastructure and economy**
- **Exclusive supplier to captive customers based on exclusive concessions and extensive networks of pipelines that enhance *de facto* exclusivity**
- **Typically B2B business model with the ability to require prepayment or payment after use**
- Price adjustment mechanism that links feedstock costs to industrial steam prices to ensure long term reliable profitability
- **Application of innovative technology packages that improve barriers of entry**
- **Capability of technological transformation and upgrades that improve profitability and efficiency of plants**
- **Flexibility in the utilisation of feedstock. The currently available feedstocks for GI projects are sludge, solid waste, renewable biomass, etc**
- Capacity to secure robust pipelines of projects and identify, evaluate and invest in quality GI projects

### Long-Term Growth Potential

- Large addressable market in China with room for further development
- Growing steam demand from customers' organic expansion, relocation of enterprises into industrial parks, long-term structural expansion of industrial parks and mandatory closure of small dirty boilers to support the growth of existing GI projects
- Beneficial economies of scale
- Robust pipelines located in economically developed areas
- Replicable business model across the GI Business Cycle to support further expansion and growth

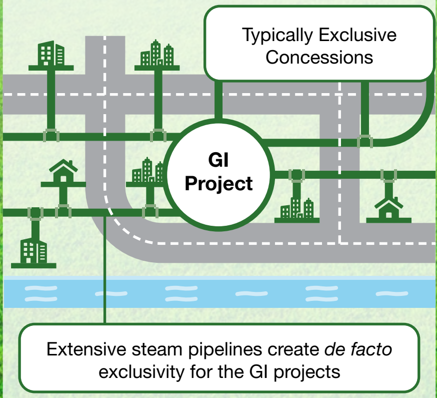
**Valuable project assets of high investment potential**

**Further potential to unlock shareholder value**

**Attractive IRRs of existing GI projects which have high investment potential**

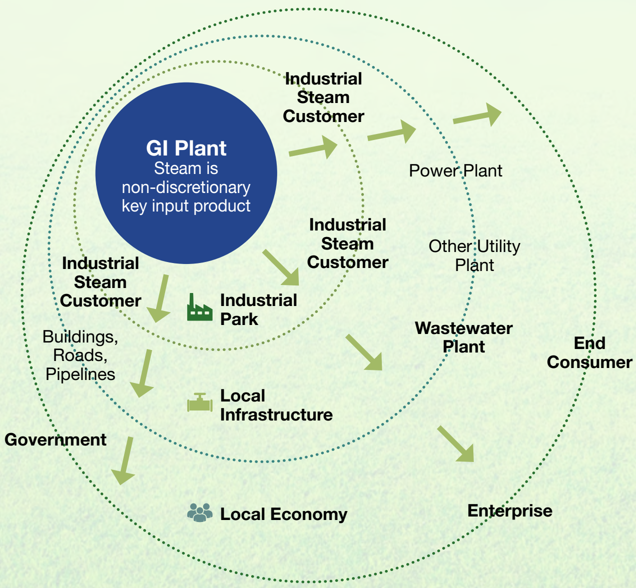
## HIGH ENTRY BARRIERS

Provision of steam within concession/ coverage areas based on typically exclusive concessions and extensive networks of pipelines that enhance *de facto* exclusivity




## KEY ROLE OF STEAM

Industrial steam is a non-discretionary key input product for industrial customers that are an integral part of the development of the local infrastructure and economy



# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

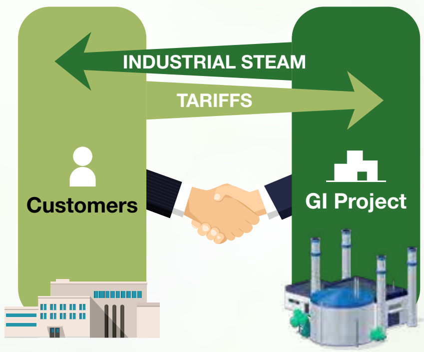
## LARGE AND DIVERSE CUSTOMER BASE

GI projects generate a reliable supply of clean steam that meets the needs of customers' continuous demand. Over the years, GI projects have established a large and diversified customer base from a wide and diverse range of more than 20 industries. Its customers are mainly located in industrial parks that have strong economic viability in economically developed areas or areas that have strong industry clusters of excellence.


## STRONG TARIFF COLLECTION ABILITY

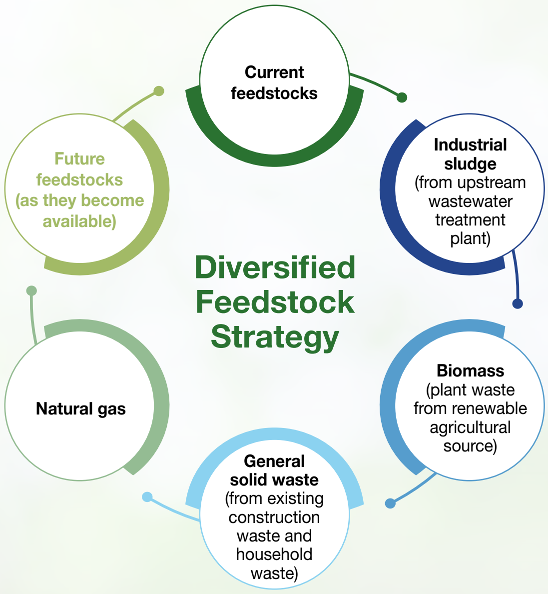
GI projects typically have B2B arrangements that can require prepayment or post-payment after use. Contracts to supply industrial steam are signed directly with end-customers instead of the government.

Further, steam supplied by GI projects is a non-discretionary production input for GI customers.




## FLEXIBLE FEEDSTOCK DIVERSIFICATION STRATEGY

GI projects have the flexible ability to use a diversified range of feedstock sources including sludge, general solid waste, renewable biomass, etc.




## APPLICATION OF INNOVATIVE TECHNOLOGY PACKAGES

GI projects apply innovative technology packages that enhance their already strong entry barriers against competition, lower harmful emission levels, reduce consumption of feedstock, and improve operational efficiency.

### Long Distance Steam Distribution Pipelines Technology

- Increase geographical reach to captive customers; achieve economies of scale
- Reduce feedstock by minimising temperature and pressure loss during transmission

### Environmental Protection Technologies

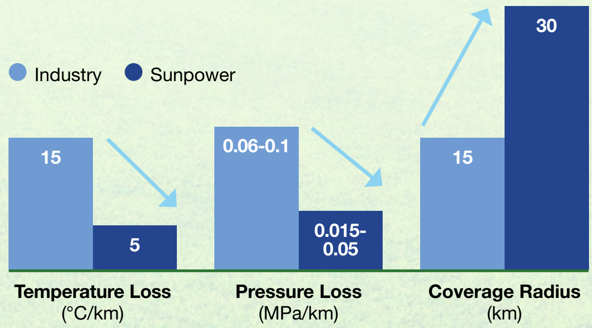
- Low nitrogen combustion technology
- Desulphurisation and denitrification technology
- Technology to eliminate haze and ammonia escape
- Bag filter + wet electrostatic precipitator

### Energy-Saving Technologies

- High efficiency heat exchange technology
- Gas-gas heater technology
- Low temperature economiser technology
- Flue gas sludge drying & comprehensive utilisation technology

## ABILITY TO MEET OR BE EVEN LOWER THAN EMISSION STANDARD OF NATURAL GAS

| Emission Limit (mg/m³) | Newly-built Coal-fired Boilers(1) | Newly-built Coal-fired Power Generation Boilers(2) | Coal-fired Power Generation Boilers in Key Areas* (2) | Natural Gas Boilers & Gas Turbines(2) | Sunpower's Capabilities |
|---|---|---|---|---|---|
| **Dust** | 50 | 30 | 20 | 5 | < 5 |
| **$SO_2$** | 300 | 100 | 50 | 35 | < 35 |
| **$NO_x$** | 300 | 100 | 100 | 50 | < 50 |




(1) 'Boiler Air Pollutant Emission Standard' by the Ministry of Ecology and Environment of the PRC (GB13271-2014) http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqhjbh/dqgdwrywrwpfbz/201405/t20140530_276318.shtml

(2) 'Emission Standard of Air Pollutants for Thermal Power Plants' by the Ministry of Ecology and Environment of the PRC (GB 13223-2011) http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqhjbh/dqgdwrywrwpfbz/201109/t20110921_217534.shtml

* Key regions mainly refer to the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta region

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

## WELL POSITIONED TO REALISE LONG-TERM GROWTH USING TWO-PRONGED GI STRATEGY

### 1 CONTINUE RAMP-UP OF EXISTING GI PROJECTS TO SOLIDIFY MARKET POSITION

The existing GI projects continue to ramp up and expand with long term growth potential on the back of the following growth drivers:

- **Emergence of beneficial economies of scale.**
- **Continuous closures of small dirty boilers drive demand to centralised facilities.**
- **Low emissions help to earn more emission credits which enable new plants to relocate into the parks.**
- **Organic growth and ramp-up of customers and expansion of industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence bring strong steam demand.**
- **Continuous relocation of enterprises to industrial parks due to the government's zoning policies and/or cost benefits.**
- **Technological transformation and upgrades that further improve project profitability and efficiency.**

### 2 ENHANCE EXISTING PROJECTS AND EVALUATE PIPELINES FOR QUALITY PROJECTS WITH POTENTIAL

Sunpower applies a disciplined investment strategy. It has established a mature and replicable model across the GI Business Cycle which allows the Company to have a competitive edge in sourcing, evaluating, investing, constructing, upgrading and operating of GI projects. This facilitates the Company in realising its long term growth potential.

- **Solidify the profitability of the GI business**
- **Continuously evaluate the project pipeline for quality projects with investment potential**

**MATURE AND REPLICABLE BUSINESS MODEL**

#### New Project Identification & Securement
- Established and proven track record.
- Experienced business teams.
- Disciplined project sourcing and evaluation process.
- Robust pipeline of projects being evaluated.

#### Project Investment
- Ability to establish high entry barriers.
- Resilient and adaptable GI business model.
- Strong strategic support by renowned PE firms DCP and CDH.
- Multiple potential sources of capital to fund GI growth strategy.


#### Project Construction
- Experienced in project planning, management and construction.
- Complete supervision system that reduces potential construction and cost overrun risks.
- Ability to apply innovative integrated technologies for environmental protection & energy-saving.

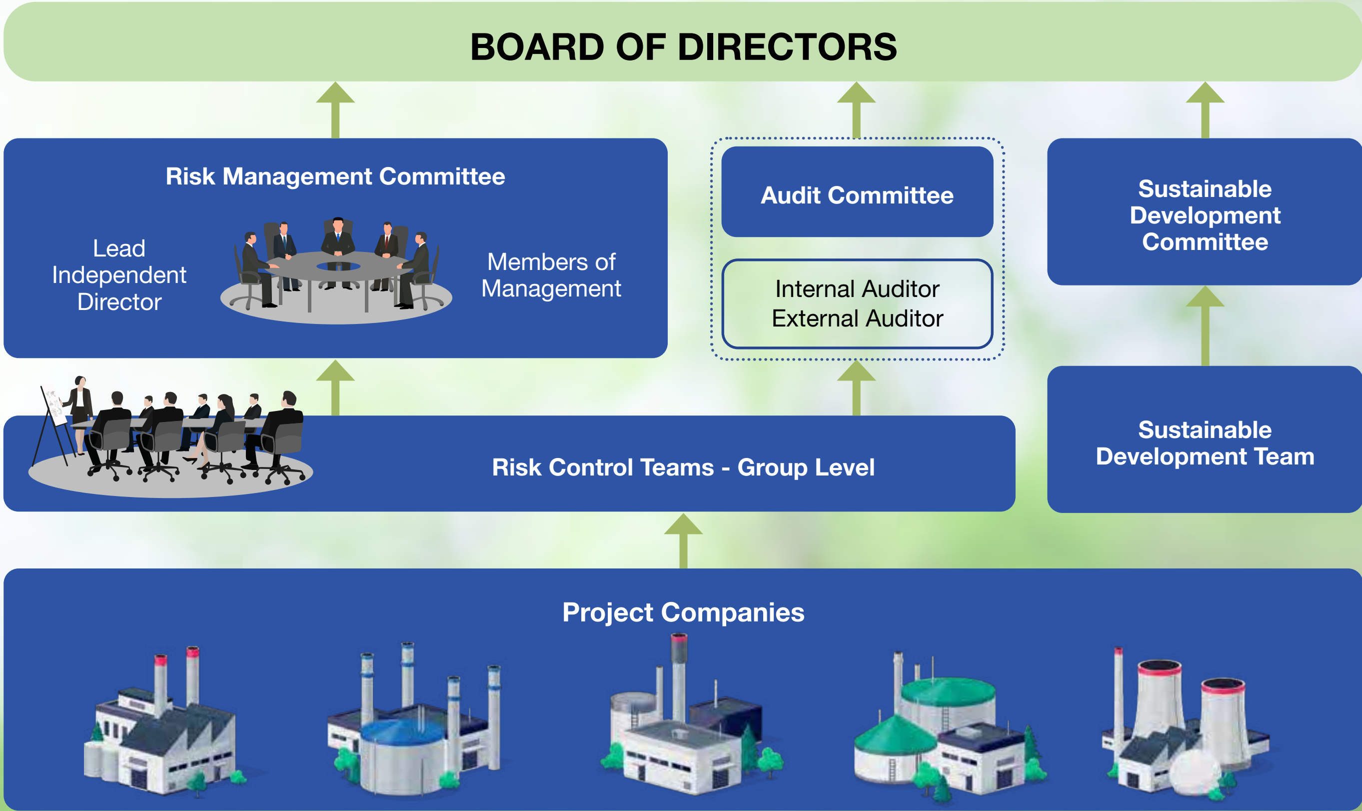
#### Project Operation, Reform & Upgrade
- Seasoned management with proven track record in achieving excellent results.
- Adoption of Circular Economy production model.
- Refined management of each project.
- Know-how to reform and upgrade acquired plants to improve operational efficiency.

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

## WELL-ESTABLISHED OPERATIONAL MANAGEMENT SYSTEMS WITH DEMONSTRATED CAPABILITIES

Sunpower's management has created and refined an Operational Management System that targets to maximise efficiency and effectiveness and reduce the Group's risk exposure.




### OPERATIONAL MANAGEMENT SYSTEMS

**Centralised Management Model** integrates resources for better technological innovation, transformation and refined management, as well as good control of procurement cost and oversight of a sizeable portfolio of GI projects across China.

**Comprehensive Budget Management System** ("**CBMS**"), implemented decades ago, to support the Group's financial operations as well as manage and achieve its targets. It comprises modules of overall budget indexes including production, sales, cost, expenses, contingent provisions, comparison analysis, and performance appraisals, etc. In addition, it enables the Group to have a scientific approval limit system which gives the Group's project companies the ability to operate independently within their authorised scopes.

### ESG AND SUSTAINABLE DEVELOPMENT SYSTEMS

Sunpower commits to better sustainability in its business by incorporating material Environmental, Social and Governance ("**ESG**") topics into its operations, ensuring implementation of ESG related strategies throughout all levels of personnel. For further information, please refer to the Sustainability Report Summary and the 2023 Sustainability Report.

**Sustainable Development Committee** facilitates the sustainability efforts of the Group. The Committee guides the Sustainable Development Team, comprising senior management and heads of various functional departments. In addition, it provides insights for the Board to improve the Group's sustainability governance.

**Climate Change Management System** supports the whole company's active participation in the formulation and implementation of comprehensive strategies to deal with climate issues; actively respond to climate change issues; lay out and grasp the opportunities generated by climate change; and contribute towards the control of global climate change issues.

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

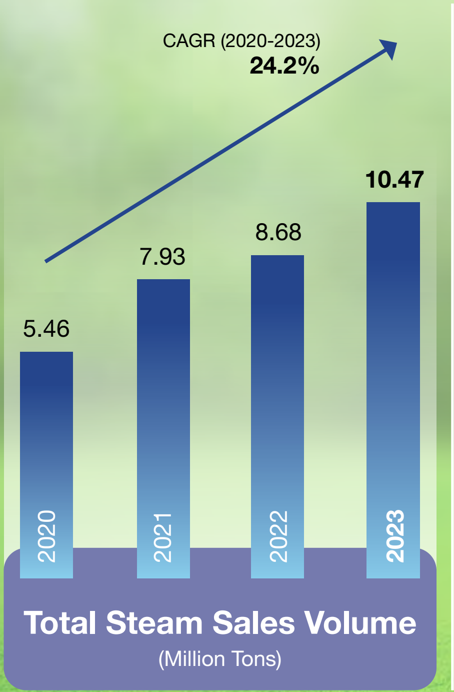
## GI FINANCIAL HIGHLIGHTS

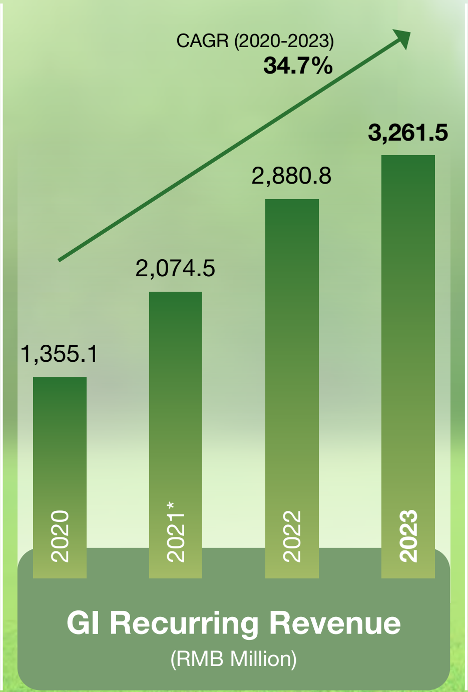
### Strong Financial Performance with Significant Growth

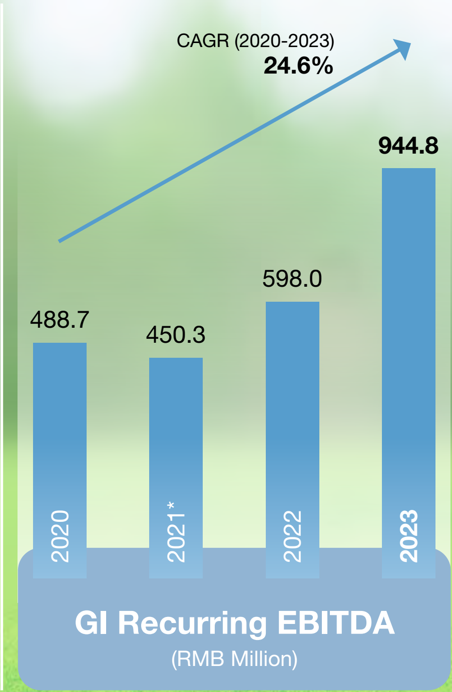
In 2023, Sunpower's GI business bounced back from the challenges of 2022. Demand for clean industrial steam increased from GI customers in industries that are vital to the infrastructure and economy of China, which further facilitated the continued ramp-up of the GI projects. As a result, utilisation of the GI projects remained strong, supported by the resilience of the industrial parks which are either in economically developed areas or have industry clusters of excellence.

Total steam sales volume rose 20.6% YoY to reach a record high of 10.47 million tons in FY2023. Concurrently, GI recurring revenue[1] rose 13.2% YoY to RMB3,261.5 million, another record high since the inception of the GI business. Further, the profitability of the GI business grew faster than the growth in steam sales volume and revenue in FY2023. GI recurring EBITDA[2] reached RMB944.8 million, exceeding FY2022 by 58.0%, while GI recurring PATMI[3] rose 114.9% YoY to RMB340.0 million. Furthermore, GI operating cash flow[4] improved 45.0% YoY to RMB527.9 million in FY2023. The significant improvement in profitability is attributed to a comprehensive set of factors, including strong demand for clean industrial steam within the coverage areas of the GI projects that underpinned the strong project ramp-up, the emergence of beneficial economies of scale, a well-implemented price adjustment mechanism, and refined management practices and strategic technological upgrades that enhanced project efficiency and profitability.

The proven ability of the GI business to rebound quickly from challenges and continue to generate high-quality, long-term recurring income underscores the intrinsic value of the GI projects which are valuable assets. In the long term, Sunpower is well positioned to capitalise on the growth potential of the centralised steam supply industry and the evolving ESG landscape.




* After adoption of Amendments to SFRS(I) 1-16: Property, Plant and Equipment: Proceeds Before Intended Use that came into effect on 1 January 2022 and is retrospective for FY2021 financial results.

The Company uses the terms "GI recurring revenue", "GI recurring EBITDA", "GI recurring PATMI", and "GI operating cashflow" to reflect the operating results of the GI business. This page should be read in conjunction with the section of Financial Statements in this Annual Report.

1 GI recurring revenue refers to recurring revenue generated by the GI business, including commission fees recognised in accordance with SFRS(I) INT15. It excludes one-time contributions from services for BOT projects including EPC services that are performed by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements.

2 GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes gains or costs incurred by way of the Manufacturing & Services (M&S) business disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

3 GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of employees at the group level, etc.

4 GI operating cashflow refers to cashflow generated by operating activities of the GI Business.

# GREEN INVESTMENTS

**Leading provider of clean steam and industrial services through centralised facilities with circular economy model**

## GROUP FINANCIAL HIGHLIGHTS

| GROUP FINANCIALS FROM CONTINUING OPERATIONS (RMB'M) | 2021[(1)] | 2022 | 2023 |
|---|---|---|---|
| Group revenue | 2,929.5 | 3,448.6 | **3,403.1** |
| Group gross profit | 328.0 | 513.1 | **831.6** |
| Group PATMI[(2)] | 139.6 | 136.5 | **280.0** |
| Group underlying operating cash flow[(3)] | 228.3 | 316.5 | **485.8** |

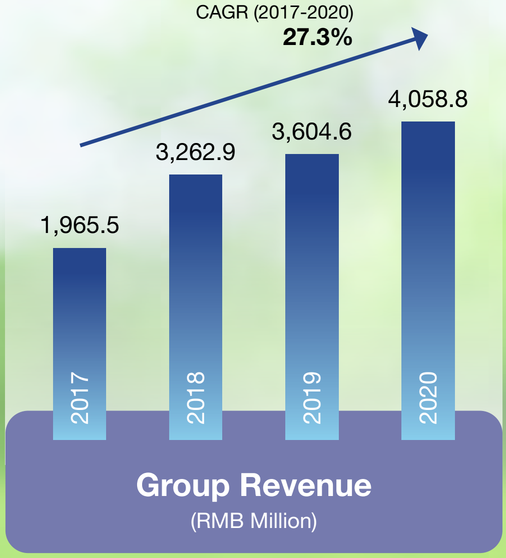
Notes: The 2022 and 2023 financial figures in the table above reflect the financial performance of the Group from continuing operations and excludes that of the M&S business following its disposal.

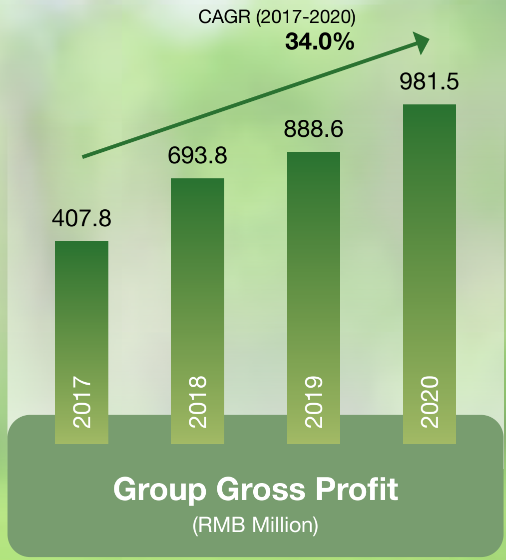
(1) After adoption of Amendments to SFRS(I) 1-16: Property, Plant and Equipment: Proceeds Before Intended Use that came into effect on 1 January 2022 and is retrospective for FY2021 financial results.

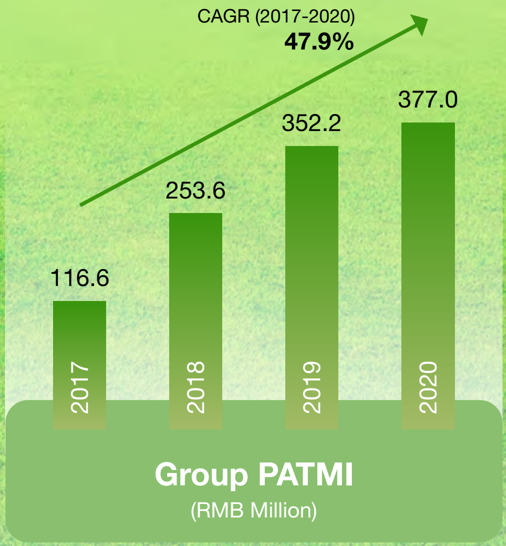
(2) FY2021 group PATMI excludes gain on disposal of RMB934.3 million and expenses incurred by the Company in connection with the M&S disposal, namely the excess cash dividend paid to Convertible Bond holders which is recognised as finance cost; project adviser fees; and withholding taxes.

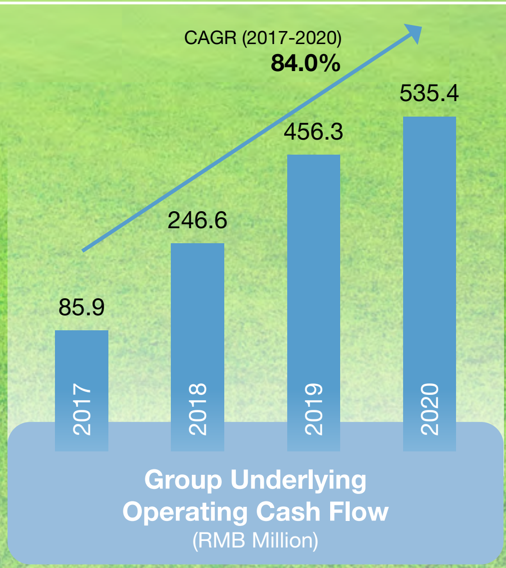
(3) Underlying operating cash flow excludes annual CB interest. CB interest was RMB11.3 million in FY2022 and RMB22.6 million in FY2023.

Group revenue in FY2023 was RMB3,403.1 million, mainly due to the ramp-up of the GI business and contributions from services for BOT projects, including EPC services, which are provided by the Group. Group PATMI without the financial effects of CBs in FY2023 was RMB280.0 million, which reflects the operating results of the Group. Group underlying operating cash flow was RMB485.8 million in FY2023.




Note: The 2017-2020 financial figures in the charts above reflect the financial performance of the Group before the M&S business disposal. Group revenue was recognised under IFRIC 12 Service Concession Arrangements.

# STRATEGIC INSTITUTIONAL INVESTORS

DCP and CDH initially invested US$110 million via the 1st CB tranche (CB1) in March 2017 and committed to a further investment of up to US$70 million, of which US$20 million of 2nd tranche CBs (CB2) was issued in October 2018. In July 2023, the Maturity Date of the Convertible Bonds ("**CBs**") was approved by shareholders to be extended by two years.

DCP Capital Partners L.P. ("**DCP**") and CDH China Management Company Limited ("**CDH**") (collectively, the "**Bondholders**") are among the most experienced and respected private equity investors in mainland China with a strong track record of investing and nurturing many leading Chinese companies. Through their subscriptions to the two tranches of CBs issued, CDH and DCP have invested US$130 million in Sunpower, providing institutional support for the company's long-term growth. Their capital support reflects their strong recognition and endorsement of Sunpower's ability to achieve sustainable growth in earnings and cash flows in the long term.

## Selected Investments by DCP and CDH Teams

**Belle International**
China's Leading Women Shoes Retailer

**Qingdao Haier**
Global Leader in Home Appliances

**Hengan International**
China's Largest Napkin and Diaper Producer

**Midea Group**
Global Leader in Home Appliances

**WH Group**
Global Leader in Meat Processing

**COFCO Meat**
China's Leading Meat Processing Company

**Focus Media**
China's Largest Out-of-home Advertising Network

**Uxin**
China's Leading Online Used-car Platform

**Greenland Group**
China's Leading Real Estate Conglomerate

**CICC**
China's Leading Investment Bank

**Mengniu Dairy**
China's Leading Dairy Company

**Ping An Insurance**
China's Leading Insurance Provider

**Modern Dairy**
China's Leading Dairy Company

**Nanfu Battery**
China's Leading Alkaline Battery Producer

DCP and CDH possess a distinctive investment outlook and robust investment expertise. They actively engage in providing post-investment management services to their portfolio companies, aiming to bolster their competitiveness, thus generating enduring value for them. Their success in this approach has been recognised through their awards from reputable ranking organisations in China in 2022-2023.

CDH won the Five-year Golden Bull Private Equity Investment Institution of Continuous Excellence and Golden Bull Best IPO Case[1] in the 7th Golden Bull Equity Investment Award held by China Securities Journal and China Fortune Academy[2].

CDH was named as one of the 30 Most Influential Investors in China by Fortune China and Zero2IPO Research[3].

DCP won the Golden Bull Private Equity Investment Institution of Excellence and Golden Bull Best M&A Case[4] in the 7th Golden Bull Equity Investment Award held by China Securities Journal and China Fortune Academy.

DCP was named as among the Top 50 Most Promising Funds in the World in 2022 by Global FOF Association[5].

### The 7th Golden Bull Equity Investment Award

CDH: Golden Bull Best IPO Case; Five-year Golden Bull Private Equity Investment Institution of Continuous Excellence

DCP: Golden Bull Best M&A Case; Golden Bull Private Equity Investment Institution of Excellence

### Fortune China


2023 The 30 Most Influential Investors in China

### Global FOF Association


2022 Top 50 Most Promising Funds in the World

1 https://www.sohu.com/a/734576953_120988533
2 https://baike.baidu.com/item/中国股权投资金牛奖/22464657?fr=ge_ala
3 https://finance.sina.com.cn/stock/2023-11-15/doc-imzutiwi2256072.shtml
4 https://www.sohu.com/a/734576953_120988533
5 https://mp.weixin.qq.com/s?__biz=MzUyNjc2NjA4OQ==&mid=2247519395&idx=1&sn=dbccfaec945644c1cbf92580ee8c3031&chksm=fa0b15c5cd7c9cd3171a1b5c7563651d6f9ceb4bb115057dd8ad4030b39c53abcd9055756377&scene=27

# CORPORATE INFORMATION

## Board of Directors

**Guo Hong Xin**
Non-Executive Chairman

**Ma Ming**
Executive Director

**Yang Zheng**
Lead Independent Director

**Lau Ping Sum Pearce**
Independent Director

**Chin Sek Peng**
Independent Director

**Wang Dao Fu**
Independent Director

**Li Lei**
Non-Executive and Non-Independent Director

**Wang Guannan**
Non-Executive and Non-Independent Director

## Audit Committee

**Chin Sek Peng**
Chairman

Lau Ping Sum Pearce
Yang Zheng

## Nominating Committee

**Wang Dao Fu**
Chairman

Guo Hong Xin
Lau Ping Sum Pearce
Chin Sek Peng
Li Lei
Yang Zheng
Wang Guannan

## Remuneration Committee

**Lau Ping Sum Pearce**
Chairman

Chin Sek Peng
Li Lei
Wang Guannan
Wang Dao Fu

## Independent Committee

Chin Sek Peng
Yang Zheng
Lau Ping Sum Pearce
Wang Dao Fu

## Company Secretary

Ho Wui Mee Marian

## Deputy Secretary

Chew Bee Leng

## Bermuda Resident Representative and Assistant Secretary

**Ocorian Services (Bermuda) Limited**
Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10 Bermuda

## Principal Place of Headquarters

No. 2111 Chengxin Avenue High-tech Industrial Park Jiangning District, Nanjing, Jiangsu, 211112 People's Republic of China

## Registered Office

Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda

## Singapore Share Transfer Agent

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street #19-08 Prudential Tower Singapore 049712

## Bermuda Share Registrar and Transfer Agent

**Ocorian Management (Bermuda) Limited**
Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda

## Auditors

**Deloitte & Touche LLP**
Public Accountants and Chartered Accountants
6 Shenton Way #33-00 OUE Downtown 2
Singapore 068809
Audit Partner: Toh Yew Kuan since financial year ended 31 December 2022

## Principal Bankers

Bank of China
China Construction Bank Corporation
China Minsheng Banking Corp., Ltd.
Guangdong Huaxing Bank Co., Ltd.

# CHAIRMAN'S STATEMENT

**"FY2023 was a breakthrough year for Sunpower, marked by substantial growth in GI recurring revenue, surpassing a record high of RMB 3 billion for the first time.**

**Notably, the profitability of the GI business significantly improved and outpaced the growth in revenue."**

**GUO HONG XIN**
**Non-Executive Chairman**

## DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors (the "**Board**"), I am delighted to present our annual report for the financial year ended 31 December 2023 ("**FY2023**").

### Sunpower achieved substantial growth in FY2023

The operational landscape improved in FY2023 following the various challenges of the 3-year pandemic faced by the Group. Domestic consumption improved in industries where the GI business has industrial steam customers, such as basic consumer goods (namely food and clothing[1], and textiles[2]) and hospitality[3]. Further, the feedstock market witnessed relative stability in pricing[4] as the balance of supply and demand gradually improved[5].

Despite the mixed macro-environment still fraught with potential complications, the GI business demonstrated not only resilience but also made progress. Sunpower leveraged on its proven GI Business Model and continued to apply refined management practices to the GI projects to achieve an encouraging performance with substantial growth in FY2023.

1 https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947120.html
2 http://www.ce.cn/cysc/newmain/yc/jsxw/202401/30/t20240130_38885708.shtml
3 https://www.eeo.com.cn/2024/0202/634457.shtml
4 http://dsmv5.com/jijin/17829.html
5 https://baijiahao.baidu.com/s?id=1786053309250088261

# CHAIRMAN'S STATEMENT

By the close of FY2023, the Group had a sizeable portfolio of 11 operational GI projects with Shanxi Xinjiang Project newly put into commercial operation. It also achieved key milestones in the continued development of certain projects, as Yongxing Plant's general solid waste JV plant is in trial operation, and Jining Project has put part of its Phase 2 pipelines into use. Further, the completed addition of natural gas boilers by Lianshui Project and the ongoing addition of biomass boilers by Quanjiao Project cater to our customers' growing demand for clean industrial steam while providing more high quality industrial services.

With its encouraging performance and strong execution during the year, FY2023 marked a breakthrough for Sunpower. Total steam sales surpassed 10 million tons and GI recurring revenue exceeded RMB 3 billion for the first time, a positive trajectory for the company.

## Profitability of GI business remained strong and grew faster than the growth in steam sales volume and revenue

In FY2023, GI recurring EBITDA[6] rose 58.0% to RMB944.8 million and GI recurring PATMI[7] rose 114.9% to RMB340.0 million. The profitability of the GI business surpassed the growth rates of both steam sales volume and revenue.

This encouraging financial performance also extended to GI operating cash flow, which rose 45.0% to RMB527.9 million.

The solid results are attributed to a comprehensive set of factors such as resilient demand for clean industrial steam in the projects' coverage areas, the effective ramping up of the GI projects, the emergence of beneficial economies of scale, a well-implemented price adjustment mechanism, and strategic technological upgrades and refined management practices in many aspects.

Looking ahead, Sunpower remains strategically focused on the continuous ramping up of existing GI projects to unlock potential opportunities for future growth. Its growth strategy is anchored in its adaptable business model and structural growth drivers, including the relocation of enterprises to industrial parks served by the GI projects, organic customer growth and ramp-up, the long-term structural expansion of industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence, and the ongoing closures of small dirty boilers. Meanwhile, the Company will continue to evaluate pipelines for quality projects with potential.

## CB maturity date has been extended to April 2025, amongst other amendments

In FY2023, the Group has reached a consensus with its Convertible Bond ("**CB**") holders to extend the maturity date of the CBs by two years to April 2025[8]. In a Special General Meeting on 28 July 2023, shareholders approved the extension of the CB maturity date amongst other amendments.

The redemption of the CBs is now at the top of the Group's agenda. Sunpower is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group's existing operations and financials, and monetising certain GI projects. The Group believes that the GI portfolio comprises valuable assets that are of interesting potential to investors.

## Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, and business partners for your continued trust and support.

The Group remains focused on the improvement of shareholder value. Sunpower Group is on track to realise its growth potential with the focus on unlocking more potential value from its valuable assets for its shareholders in the future.

**GUO HONG XIN**
**Non-Executive Chairman**

6 For the definition of GI recurring EBITDA, please refer to the GI Financial Highlights page of the 2023 Annual Report.

7 For the definition of GI recurring PATMI, please refer to the GI Financial Highlights page of the 2023 Annual Report.

8 The maturity date of CBs has been extended to the later of (i) 3 April 2025; or (ii) if so elected by the Bondholders, the date that is the 15th Business Day after the date on which the Company's audited financial statements for 2024 are issued. For detailed information, please refer to the Circular to Shareholders in relation to the Proposed Amendments to the Convertible Bond Purchase Agreement and CB Terms and Conditions dated 11 July 2023.

# BOARD OF DIRECTORS

**Mr. GUO HONG XIN**
**Founder, Non-executive Chairman**

Mr. Guo founded Sunpower and currently serves as the Non-Executive Chairman of the Board. Prior to establishing Sunpower, he served as the director of the Heat Pipe Technology Research Center of the Nanjing Chemical Institute. From 1993 to 1997, Mr. Guo was a director and deputy general manager of Shengnuo Group. Between 1995 and 1997, he served as the Vice Dean of the Heat Pipe Technology Development Institute at Nanjing Tech University and concurrently as the Deputy Director of the Heat Pipe Technology Promotion Centre under the National Ministry of Science and Technology. In 2015, he was appointed as an Independent Non-Executive Director of Genscript Biotech Corporation, a Hong Kong-listed company. Additionally, Mr. Guo serves as a Part-time Instructor at the MBA Education Center of Nanjing University, as well as an Industry Professor and Distinguished Professor at Nanjing University of Technology. In 2017, he was appointed as an Entrepreneur Mentor for EMBA Alumni at Tsinghua University.

Mr. Guo has received numerous awards and honours. He received the Science and Technology Progress Award from the Ministry of Education of the People's Republic of China ("**PRC**"), the National Federation of Industry and Commerce, Jiangsu Province and the China Petroleum and Chemical Industry Federation in 1994, 2009, and 2010, respectively. Mr. Guo was recognised as a "Great Contributor to Nanjing Science and Technology" in 2006 and was awarded a special government allowance by the State Council of the PRC in 2012 for his distinguished contributions. He was appointed as the leader of the National Standardisation Technical Committee for heat pipes in 2008. In 2011, he was acknowledged as one of "Jiangsu's Top 10 Outstanding Entrepreneurs" and "Innovative Entrepreneurial Talents," elected as an expert of the "333 High-Level Talents Training Project," and engaged as a pioneering batch of Industry Professor in Jiangsu Province.

In 2015, he was recognised by the Ministry of Science and Technology of the PRC as a talent for science and technology innovation and entrepreneurship ("Ten Thousand Talents Program") and appointed as the third batch of industrial professors in Jiangsu Province by the Department of Science and Technology. In 2016, he was esteemed as the "Leading Talent of the National Special Support Program for High-level Talents" by the Organisation Department of the Central Committee of the Communist Party of China. In 2017, Mr. Guo was acclaimed as a Top Expert of Nanjing and appointed as the Vice Mayor of Science and Technology by the government of Changyi City, Shandong Province. He was the recipient of the Ernst & Young Entrepreneur of the Year 2018. In 2019, he was titled "Jiangsu Outstanding Entrepreneur". In 2021, Mr. Guo was awarded the second prize of the National Science and Technology Progress Award.

In 2023, he was designated as "Jiangsu Science and Technology Entrepreneur" by the Jiangsu Provincial Party Committee and Provincial Government, and jointly awarded "The Most Beautiful Science and Technology Worker in Jiangsu Province" by various departments including the Jiangsu Provincial Party Committee Publicity Department, Provincial Science and Technology Association, and Provincial Science and Technology Department.

On June 28, 2021, on the occasion of the 100th anniversary of the founding of the Communist Party of China, Mr. Guo was honoured with the title of "National Outstanding Communist Party Member," a recognition of his achievements and the brilliant accomplishments of Sunpower over more than two decades. Since the establishment of Sunpower, Mr. Guo has been committed to the industrialisation of scientific and technological achievements, leading the company along a path of domestic innovation and sustainable development through "industry-university-research" collaboration. Mr. Guo has led the company in advancing excellent performance management, contributing tirelessly to China's increased production, energy conservation, and advancement of a circular economy. In June 2022, Mr. Guo received the Nanjing Mayor Quality Award Personal Award. On July 20, 2023, his story of innovation was featured in the fourth episode of the prominent industrial documentary "Pillars of Talent: The Craftsmanship" on the CCTV Finance and Economics Channel.

Mr. Guo graduated in 1983 with a Bachelor's degree and obtained his Ph.D. in Geotechnical Engineering from the Cold and Arid Regions Environmental and Engineering Research Institute of the Chinese Academy of Sciences in 2010. In 2014, he received his EMBA degree from Tsinghua University.

# BOARD OF DIRECTORS

## Mr. MA MING

**Co-Founder, Executive Director, CEO**

Mr. Ma joined Sunpower as the Company's co-founder and served as Deputy General Manager. Through the various stages of the Company's development, he was responsible for marketing, sales, production, procurement, finance and investment, among others. He was appointed as Executive Director of the Group in 2004, overseeing finance, investments, mergers & acquisitions, investor relations, and spearheading the work on Sunpower's IPO on the Singapore Exchange. Mr. Ma has been appointed as the Chief Executive Officer of the Company with effect from 11 August 2021.

In 2008, Mr. Ma was entrusted with the responsibility for overall management and operational development of the Group. Mr Ma drove the formulation and implementation of strategic planning and comprehensive budget management for the Group, pushed forward the institutionalisation and refinement of corporate management, and propelled the internationalisation of the business and diversification of coverage of industries to attain long-term sustainable development of the Group.

Since the strategic expansion of the Group into the GI Business in 2015, Mr. Ma has led the formulation of the strategic plan and business model and is responsible for the implementation of its long-term objectives. He takes charge of the entire business development cycle including market research and development, project investment and financing, project implementation, development and construction, as well as post-investment operational management. Mr. Ma has led the establishment of professional management systems and teams and has managed the GI Business segment to its current healthy stage of development where it is able to function autonomously within a complete system.

Before co-founding Sunpower, Mr. Ma worked in Nanjing Chemical Industrial Company. In 1992, he founded Hainan Lida Industrial and served as General Manager of that company. Mr. Ma graduated from Nanjing Chemical Engineering Senior College in 1983 and obtained his Master's degree in Engineering Management from the University of Shanghai for Science and Technology.

## Mr. YANG ZHENG

**Lead Independent Director**

Mr. Yang was appointed as an Independent Non-Executive Director in November 2017 and was last re-elected on 28 April 2021. He was appointed as Lead Independent Director of the Group on 25 June 2019. He is a PRC Certified Public Accountant (CPA), a senior member of the Chinese Institute of Certified Public Accountants (CICPA), a member of Accounting Education Committee of the Accounting Society of China (ASC), a member of the First National Audit Information and Standardisation Technical Committee. Mr. Yang is currently the President of Shenzhen Rihao Financial Intelligence Research Institute. Mr. Yang has been an accounting teacher at Nanjing Audit University since 1987 and was the Dean of the School of Accounting at Nanjing Audit University. He was a part-time Professor at Curtin University of Australia and served as Vice-President of Xi'an Eurasia University from 2014 to 2018. Mr. Yang has also served as an independent director in a number of companies and is currently an independent director of the following listed companies: Luenmei Quantum Co., Ltd., Anhui Xinke New Materials Co., Ltd. (formerly known as Kingswood Enterprise Co., Ltd.), MeiG Smart Technology Co., Ltd., and SVG Tech Group Co., Ltd. Mr. Yang graduated with a Bachelor's degree in Economics from Anhui University in 1982. He studied as a visiting scholar in the field of auditing in Nanjing University from 1994 to 1995.

# BOARD OF DIRECTORS

**Mr. CHIN SEK PENG**
**Independent Director**

Mr. Chin was appointed as an Independent Non-Executive Director in February 2005 and was last re-elected on 25 April 2019. He is currently the Founder and consultant to PKF Singapore. Prior to this, he was the Managing Partner responsible for running, managing and growing the professional services of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants in Singapore from 2017 to 2020 and thereafter he continued as the Executive Chairman from 2021 to 2023.

Mr. Chin started his accountancy and audit training in Casson Beckman, a medium sized firm of chartered accountants in London in 1980. After he qualified as a chartered accountant in 1983, he joined legacy Price Waterhouse and worked in UK, Europe and Singapore from 1983 to 1994. In 1994, Mr. Chin joined the Institute of Singapore Chartered Accountants ("**ISCA**") as the first Practice Review Director. In 1999, Mr. Chin joined Arthur Andersen as a partner in its Assurance and Business Advisory Division and he left the firm in 2002 to set up his own audit and consultancy practices.

Mr. Chin holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University in the United Kingdom and is a Fellow Chartered Accountant of Singapore and a Fellow Member and Business and Finance Professional of the Institute of Chartered Accountants in England and Wales. He is a member of the Institute of Internal Auditors of Singapore and an ordinary member of the Singapore Institute of Directors.

Mr. Chin also serves as Independent Director, mainly in the capacity of Audit Committee Chairman, of one other company listed on the Singapore Exchange. He was a member of the PKF International Asia Pacific Board and Chairman of the ASEAN sub-region from 2019 to 2021 and was formerly a Council member of ISCA from 2012 to 2018 and the Chairman of the Public Accounting Practice Committee of ISCA from 2016 to 2018.

**Mr. LAU PING SUM PEARCE**
**Independent Director**

Mr. Lau has been an Independent Non-Executive Director since February 2005 and was last re-elected on 24 June 2020. Mr. Lau was a Member of Parliament for Yio Chu Kang Constituency from 1980 to 1991 and a Member of Parliament for Ang Mo Kio Group Representation Constituency from 1991 to 1996. He served as a Director of Ang Mo Kio Community Hospital from 1993 to 1999 and Chairman of the Medifund Committee of the hospital from 2001 to 2005. He was Head of Computer Services in a statutory board and two local banks from 1973 to 1996. He was the General Manager of NTUC Link Pte Ltd. between 1997 and 2000 and was the Executive Director of People's Action Party/PAP Community Foundation from 2001 to 2012. He is currently an Independent Director of one other listed company in Singapore and a member of the Singapore Institute of Directors. In addition, he is Chairman of the Programme Advisory Committee for BA Translation and Interpretation and an examiner for Certification Examination for Professional Interpreters, School of Humanities & Behavioural Sciences, Singapore University of Social Sciences. He is also adjunct Professor of Translation and Interpretation. Mr. Lau graduated from the Australian National University with a Degree in Economics and also holds a Diploma in Business Administration from the University of Singapore.

# BOARD OF DIRECTORS

**Mr. WANG DAO FU**
**Independent Director**

Mr. Wang was appointed as an Independent Director on 25 June 2019 and was last re-elected on 28 April 2021. He graduated with a Bachelor of Law degree from Peking University in 1984. From August 1993 till May 2002, he worked with many established Singapore law firms as their Chinese Legal Counsel. Mr. Wang then set up Shanghai Yuantai Law Offices in 2004 and is the firm's founding partner. He has more than 30 years of PRC legal practice experience in a wide range of areas, including capital markets, corporate finance and mergers & acquisitions. Mr. Wang currently serves as a director of Matex International Limited and Proceq Trading (Shanghai) Co. Ltd (China).

**Mr. LI LEI**
**Non-Executive, Non-Independent Director**

Mr. Li was appointed as a Non-Executive Director in March 2017 and was last re-elected on 24 June 2020. He worked in McKinsey & Company's Beijing Office as an Analyst from 2006 to 2007. Mr. Li was Vice President of Beijing Dinghui Venture Investment Advisory Co., Ltd. from 2007 to 2009 and Executive Director of Dinghui Investment Management (Tianjin) Company Limited from 2009 to 2016. Mr. Li has served as the Managing Director of CDH Investments Management (Hong Kong) Limited since January 2016. Mr. Li holds two Bachelor's Degrees in law and economics and a Master's Degree in law.

**Ms. WANG GUANNAN**
**Non-Executive, Non-Independent Director**

Ms. Wang is an Executive Director at DCP, where she was actively involved in several equity investment deals. Prior to DCP, Ms. Wang was an Analyst at Hony Capital from June 2012 to June 2014 and Senior Associate at MBK Partners from June 2014 to June 2018. Ms. Wang graduated from Massachusetts Institute of Technology with a Master in Finance and Peking University with a Bachelor of Engineering and Economics.

# KEY MANAGEMENT

### Mr. TANG HAO
**Group Vice President and General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.**

Mr. Tang joined the Group in April 2017 to serve the GI Business. Since 2017, Mr. Tang has served in several roles within Jiangsu Sunpower Clean Energy Co., Ltd., including Assistant to General Manager, Director of Project Support Department, Director of Investment Development Department, Deputy General Manager and General Manager. He is currently Group Vice President and General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.

Prior to joining the Group, Mr. Tang worked for BR Energy Environment Engineering Co., Ltd. as Deputy Director of Regional Investment and Deputy Manager of Platform Support Department. From 2010 to 2014, he held various positions at Hangzhou Environment Group Co., Ltd., including Deputy Manager. From 2014 to 2016, he worked at Huadian Electric Power Research Institute as Regional Project Manager of Environmental Technology Department.

Mr. Tang graduated from Huazhong University of Science and Technology and obtained a bachelor's degree and a master's degree in environmental engineering in 2005 and 2007, respectively. From 2010 to 2013, he published four professional papers, all of which were included in the Chinese core journal of science and technology titled "Environmental Sanitation Engineering".

### Ms. WANG HUI
**Chief Financial Officer**

Ms. Wang joined Sunpower Group in June 2016 as a Senior Financial Analysis Manager. She is currently the Group's Chief Financial Officer and is responsible for the Group's overall financial management and reporting. Prior to joining Sunpower Group, she was a Senior Auditor with Ernst & Young from September 2011 to May 2016. Ms. Wang graduated from Soochow University with a bachelor's degree in management in June 2011.

### Mr. SHA JIAN HUA
**Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.**

Mr. Sha joined Sunpower Group in March 2017 and currently serves as Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd. Since 2018, he has been also serving as General Manager of Zhangjiagang Yongxing Thermal Power Co., Ltd., Jiangsu Sunpower Electricity Sales Co., Ltd. and Changshu Suyuan Thermal Power Co., Ltd. to enhance the post-investment operation of the Group's project companies. Mr. Sha started his career from 1986 and has been working in the electric power and thermal power industry for decades. From 1986 to 2008, he served in several power plants and thermal power companies, and was responsible for operation, business planning, production, etc. From 2008 to 2016, he worked as General Manager of Jiangsu Huaxia Environmental Protection Energy Sources Co., Ltd., Jiangsu Skyrun International Group Co., Ltd. and Caoxian Huaheng Thermal Power Co., Ltd. From 2016 to 2017, he served as Director of Strategic Investment Department of BR Energy Environment Engineering Co., Ltd.

### Mr. XU JUN
**Deputy Chief Engineer and Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.**

Xu Jun is concurrently the Deputy Chief Engineer and Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.

Mr Xu has decades of professional work experience in the thermoelectric industry since joining in 1999. He worked as Chief Engineer in Reang Eco-Energy Co., Ltd. and Assistant General Manager in Hunan Yongxing Comprehensive Utilisation Power Plant. He also served in Hunan Zixing Coking Power Co., Ltd.

Mr Xu graduated from Hunan Water Resources and Electric Power School (now Changsha University of Science and Technology) majoring in power plants and power systems. In May 2018, he was appointed by Hunan University of Humanities, Science and Technology as an off-campus tutor for postgraduate students.

### Mr. SHI SHAO LIN
**Group Financial Director and Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.**

Mr. Shi joined the Group in July 2018 and currently serves as Group Financial Director and Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd. Mr. Shi started his career in 1995 and has decades of experience of financial work in diverse industries. From 1995 to 2014, Mr. Shi worked as Deputy General Manager and Financial Director of Jiangxi Electric Power Fuel Co., Ltd., Financial Director of Jiangxi Sanhe Electric Power Co., Ltd. and Chief of Financial Section of Jiangkou Waterpower Factory. From 2014 to 2016, Mr. Shi was Deputy Director of Finance Department of China Power Investment Corporation International Mining Co., Ltd. From 2016 to 2017, he worked in State Power Investment Corporation Limited as Assistant to General Manager of Xi'an Branch of State Power Investment Corporation Logistics Co., Ltd. and as Deputy Director of Finance Department (in charge of the financial work) of State Power Investment Corporation Guangdong Power Co., Ltd.

### Mr. ZHENG XIAO DONG
**Deputy General Manager and Director of Engineering Construction Management Department of Jiangsu Sunpower Clean Energy Co., Ltd.**

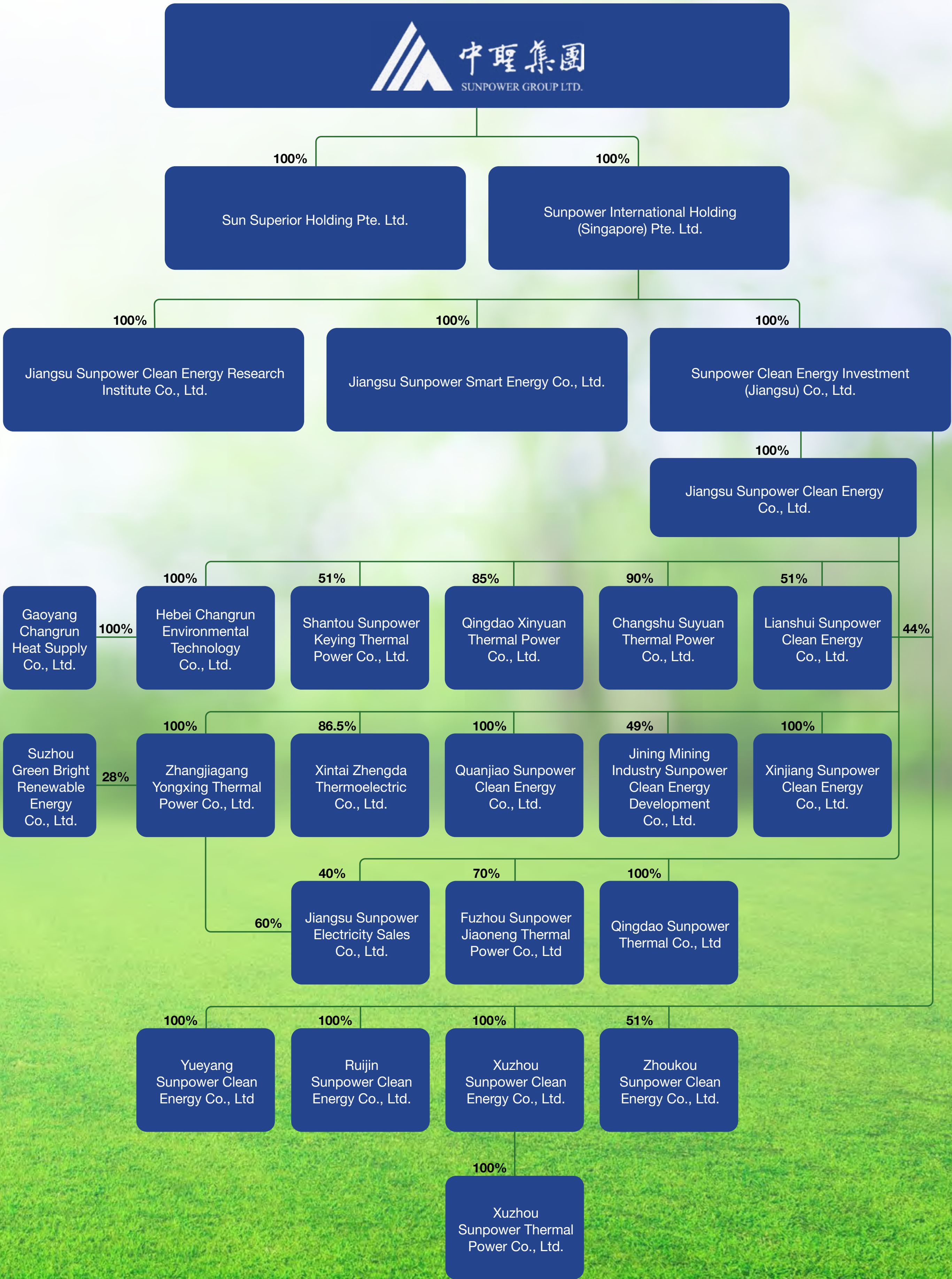
Mr. Zheng joined Sunpower Group in July 2019 to serve the GI Business. He is currently Deputy General Manager and Director of Engineering Construction Management Department of Jiangsu Sunpower Clean Energy Co., Ltd. Mr. Zheng started his career in 1992 and once worked in CSEEC and Zhejiang Bochen Huineng Technology Co., Ltd. as Assistant to President and Deputy General Manager respectively. From 2004 to 2014, he served as Chief Engineer and General Manager of Hangzhou Bluesky Natural Gas Power Generation Co., Ltd., and as Chief Engineer and Deputy General Manager of Amber International Investment Co., Ltd. and Amber Energy. From 2001 to 2004, he worked in GCL Group as Manager and Director of the Power Generation Department of Dongtai Suzhong Environmental Protection and Thermoelectricity Co., Ltd. and Deputy Chief Engineer of Hangzhou Office of GCL Group. From 1992 to 2001, he served in Nanjing Port Administration Bureau and Dongtai Thermal Power Plant. Mr. Zheng graduated from Nantong Textile Engineering Institute in 1992 and graduated with a major in Electrical Power Engineering and Automation from Hohai University in 2003.

### Mr. WANG NING
**Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.**

Wang Ning is currently the Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd.

Mr Wang studied at Nanjing University of Aeronautics and Astronautics from 2002 to 2004, and graduated with his master degree from City, University of London in 2007. He pursued his MBA from 2014 to 2017 in University of La Verne. Mr Wang had working experience in China Telecom and GCL as engineer and project manager. He joined Sunpower Group in 2017 as a senior investment analysis manager and now is responsible for investment and operation work.

# CORPORATE STRUCTURE



# SUSTAINABILITY REPORT SUMMARY

Sunpower Group's FY2023 Sustainability Report systematically and comprehensively elaborates on the Environmental, Social and Governance ("**ESG**") strategies, policies, measures, and results of Sunpower and its subsidiaries ("**Sunpower**" or the "**Group**"), while also responding to the expectations and concerns of its stakeholders. This report is prepared in accordance with the sustainability reporting requirements of the Singapore Exchange Limited ("**SGX-ST**"), and globally recognised frameworks and disclosure practices, namely the GRI Sustainability Reporting Standards ("**GRI Standards**") of the Global Reporting Initiative ("**GSSB**"), the Task Force on Climate-Related Financial Disclosures ("**TCFD**"), and the United Nations' Sustainability Development Goals ("**SDGs**")

This Summary of the FY2023 Sustainability Report is included in the FY2023 Annual Report to highlight the ESG and economic risks and opportunities faced and encountered by the Group, and its performance and achievements in the year under review based on the material topics. The full version, which is published separately, is available for download on SGXNet (www.sgx.com) and the Group's IR website (http://sunpower.listedcompany.com/).

## ENVIRONMENT

The Group is a leading provider of clean industrial steam and a pioneer in the development of the circular economy. Its long-term growth strategy, aligned with the country's energy and environmental policies, actively facilitates China's Carbon Peak and Carbon Neutrality goals.

On the environmental front, the Group's GI projects supply clean industrial steam, electricity, and heating. They help the industrial parks they serve to attain ultra-low emissions through the application of the circular economy model and advanced environmental protection and energy conservation technologies that reduce emissions of dust, sulfur dioxide ($SO_2$) and nitrogen oxide ($NO_x$). As disclosed, Sunpower has helped shut down hundreds of small dirty boilers and replaced with high-efficiency centralised steam facilities,through which, the annual reduction of emissions of $CO_2$ is able to exceed 600,000 tons, while annual reduction of dust, $SO_2$ and $NO_x$ emissions is more than 65,000 tons.

Sunpower is committed to building a more environmentally-friendly future by focusing on low-carbon development, environmental governance, and ecological protection. The Group is committed to reducing pollutive emissions. It has developed internal systems and control procedures for pollutant management and emission control, and has taken active measures to strengthen emission management, reduce emissions and decrease pollution. Whilst continuing to develop green clean energy technologies, the Group has built a complete environmental management system with unique characteristics that stringently promotes environmental compliance, improves the efficiency of resource use, and strives to reduce the negative impact of the Group's operating activities on the environment.

In 2023, the environmental protection equipment of the GI projects in operation were 100% functioning, and the discharge and emissions of these GI projects were compliant with the relevant rules and regulations. In addition, Sunpower implemented effective treatment and disposal measures in accordance with the applicable rules for the management of waste, waste water, exhaust gas and noise, thus safeguarding the healthy development of the local industrial parks and communities.

The Group strictly abides by the Environmental Protection Law, Regulations on the Administration of Environmental Protection Management of Construction Projects, Interim Measures on the Environmental Protection Inspection of Completed Construction Projects, and other laws and regulations of the People's Republic of China. It continuously optimises and improves its internal environmental protection management system to ensure strict compliance with all applicable external laws and regulations, industry standards, industry practices, and internal standards in its operational activities.

In its response to climate change, the Group is committed to prioritising the adoption of energy saving and emission reduction technologies that reduce greenhouse gas emissions, in order to reduce the environmental impact of its operating activities. The Group's measures to ensure energy conservation and stable $CO_2$ emission reduction include improving the GI projects' heating efficiency through the replacement of condensing units, increasing steam output and decreasing feedstock consumption through technical reforms and upgrades, ensuring the boilers run at high efficiency levels via technological innovation and effective maintenance, and enhancing overall energy utilisation efficiency.

## SOCIAL

On the social front, the Group is committed to adhering to the principle of putting its customers at the centre of everything it does and maintaining a high standard in providing high quality steam and heating services. It is committed to providing customers with stable, reliable, safe, and efficient clean energy, whilst striving for their long-term trust through continuous improvement in service delivery levels.

Also, the GI projects deliver long-term economic and social benefits to the residents and governments of the local regions by helping to increase and stabilise local employment, promoting the sustainability of enterprises and the local economy, and winning the government's trust and support by addressing its key concerns.

In the area of customer service, Sunpower Group is committed to exceeding customer expectations and handling complaints from customers and other stakeholders in a professional, fair, timely, and responsible manner. The Group has established a return visit system to ensure customer satisfaction and conducts regular door-to-door surveys to understand the customer experience, collect customer feedback and improve service quality. In addition, it has implemented a butler service model and a one-to-one community service approach to improve customer service effectiveness and satisfaction. A 24/7 hotline and integrated ticket processing platform for complaints has been set up to ensure that 100% of complaints are dealt with professionally, promptly, and responsibly. In 2023, it received approximately 89 letters of appreciation and approximately 49 banners of appreciation from the downstream customers.

In addition, the Group is committed to creating an inclusive, supportive and safe workplace, based on the principle of "sharing responsibilities and creating careers together, sharing achievements and achieving win-win results". It emphasizes the physical and mental health of employees, promotes safety practices through comprehensive collaboration and drills with various departments and subsidiaries to deepen health and safety training, so that a safe and healthy workplace can be provided for all employees.

# SUSTAINABILITY REPORT SUMMARY

Further, the Group strictly abides by the Labor Law, the Labor Contract Law, Law on the Protection of Women's Rights and Interests, Law on the Protection of Minors, Prohibition on the Use of Child Labor, Social Insurance Law, and other relevant laws and regulations of the People's Republic of China. Accordingly, it has formulated internal policies and systems such as the Employee Handbook, Personnel Management System, Workers' Congress System, and other internal policies and systems that improves recruitment standards and salary and welfare systems, and comprehensively protects the basic rights and interests of employees. Moreover, to encourage the active participation in research and development, the Group provides different levels of incentive to the employees that provide useful proposals and have commissioned substantial innovations or technological upgrades projects.

In the area of occupational health and safety, the Group adheres to the "Comprehensive Management of Safety and Prevention as the Top Priority" governance policy and has issued the "Notice of Adjustments to the Composition of Members of the Safe Production Committee of Jiangsu Sunpower Clean Energy Co., Ltd.". The Group has improved the organisational structure of the work safety committee and office to provide leadership for effective occupational health and safety management. The Group holds regular work safety meetings to investigate and resolve major occupational health and safety issues.

The Group strictly abides by national regulations such as the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases. Accordingly, it has developed internal policies and systems such as the "Safe Work through Standardisation of Construction Work Management System", "Provisions on Safe Work Management of Engineering Construction Projects", "Measures for the Management of Potential Safety Hazard Management", "Regulations on Occupational Health and Safety Management", "Safety and Environmental Accidents (Incidents) Management System", "Management of Labor Protection Supplies System" and other internal control systems.

The Group has established measures that cover all aspects of production and operations. It organises safety training that covers all construction personnel, and national, industry, and company-level safety management regulations are publicised. It conducts weekly safety inspections with the participation of all parties involved in the construction and operation of projects, in order to identify and eliminate potential safety hazards in a timely manner. With the needs of employees foremost in mind, the Group continues to strengthen occupational protection measures and protect the physical and mental health of employees by providing them with relevant equipment, conducting equipment usage training, and physical examinations and testing for occupational disease hazards.

In the area of supply chain management, the Group has developed a complete and strict supplier admission process. As part of this process, it requires suppliers to provide business licenses, corporate credit reports and other documents. Depending on the circumstances, it also conducts on-site research on the suppliers' enterprise size, fixed assets, etc., in order to ensure that suppliers have good business reputations and strong contract performance capabilities. At the same time, the Group incorporates ESG sustainable development requirements into its supplier admission assessment. It requires suppliers to provide certification documents. In addition, the Group conducts background checks on all suppliers.

## GOVERNANCE

On the governance front, the Group adopts responsible business practices and adheres to all applicable laws and regulations to build a culture of trust among stakeholders. It places great importance on continuously optimising its compliance and corporate governance structures, improving management efficiency, and promoting steady business development. It has an established risk management control system. It also integrates social responsibilities with operational matters to actively accelerate its high-quality development, which has contributed towards bringing its overall governance level to a new high.

To continuously improve its governance system and form an efficient governance system with clear rights and responsibilities, the Group is committed to strictly abiding by the requirements of laws and regulations such as the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore. Its board of directors consists of eight members, including one female director. In addition to the regular Audit, Nomination and Remuneration committees, Sunpower also has other committees such as the Independent Committee, Risk Management Committee and Sustainability Development Committee to better conduct effective corporate governance. Each committee performs its own duties including establishing effective management and supervision policies.

To these ends, the Group has formulated policies and systems on anti-corruption, conflicts of interest, insider trading, and fraud reporting to ensure a multi-dimensional risk defence strategy. At the same time, it combines internal auditing and internal control methods to improve its risk management system and continuously strengthen the Group's risk resistance capabilities. It requires all employees to sign the "Personal Commitment Letter of Honest Practices" and regularly publicise and implement the "Integrity Practice Management System" to directors and all employees, as well as organise anti-corruption training.

Additionally, the Group has formulated and put in place a Board Diversity Policy which aims to fully consider an optimum balance of gender, background, knowledge, skills and other aspects of diversity to ensure the diversity and professionalism of the board of directors. The Group's board members all have rich industry experience and professional abilities in many fields such as chemistry, engineering, investment, finance, auditing, business administration, law and social sciences, and are able to comprehensively foster the sustainable development of the Group.

For further information, please refer to the "Corporate Governance" section of the FY2023 Annual Report.

Sunpower Group is committed to building strong long-term relationships with stakeholders and actively responds to stakeholder expectations through dialogue and communications. It has established a regular communication mechanism to interact and communicate with stakeholders on a regular and adhoc basis. The Group regards the requirements of stakeholders as an important consideration in formulating its ESG strategies and goals, and takes timely measures to continuously improve its ESG management system whilst meeting the reasonable demands of stakeholders.

# CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors ("**Directors**") and management ("**Management**") of Sunpower Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") are committed to upholding a high standard of corporate governance, including accountability, transparency and sustainability, in order to safeguard the interests of all stakeholders and to promote investors' confidence. To this end, the Board has in place a set of self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2018 (the "**Code**") issued by the Monetary Authority of Singapore.

This report describes the Company's key corporate governance processes and practices with specific references to the Code.

## 1 BOARD MATTERS

### The Board's Conduct of Affairs

*Principle 1:* *The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

(i) Apart from its statutory duties and responsibilities, the Board oversees the Management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. In addition, the Board has adopted a set of internal guidelines setting forth matters that require the Board's prior approval. The Board is responsible for decisions over matters involving, among other things, conflicts of interest of a substantial shareholder or a Director, approving annual budgets, financial plans, financial statements, business strategies and material transactions such as major acquisitions, divestments, interested person transactions, funding and investment proposals as well as corporate or financial restructuring, share issuance, declaration of dividends and other permitted returns to shareholders. The Group has put in place financial authorisation and approval limits for operating expenditure and procurement of goods and services. It delegates the formulation of business policies and day-to-day management to the Executive Director and its management team.

The principal functions of the Board are to:

(a) provide entrepreneurial leadership, review and approve the Group's key business strategies and financial objectives, including major investments and divestments and financing of projects;

(b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with regulatory authorities and the Group's internal control policies and procedures to safeguard the shareholders' interests and the Company's assets;

(c) review the performance of the Management;

(d) identify key stakeholder groups and recognise that their perceptions could affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

(ii) All Directors act objectively to discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

(iii) The Board discharges its responsibilities either directly or indirectly through various Board committees. These committees ("**Board Committees**") include the Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Audit Committee ("**AC**"). Each of the Board Committees functions within its terms of reference. If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation would be disclosed.

(iv) The Board has also established a Risk Management Committee ("**RMC**") to assist the Board on the governance of risk. The membership and key functions of the RMC are set out in the later section of this report.

(v) The Board has also established an Independent Committee ("**IC**") to assist the Board to review and approve interested person transactions (the "**IPTs**").

(vi) The Board meets once a year to review and deliberate on the key activities and business strategies of the Group. The Board meets at least four (4) times a year to approve the release of the financial results for the first and third quarters, half-year and full-year. Additional meetings of the Board will be held where circumstances require. The Company's Bye-Laws allow a Board meeting to be conducted by way of teleconference and video-conference.

(vii) The Board, with the concurrence of the NC, is of the view that the Directors have attended and actively participated in Board and Board Committee meetings, and that each Director has ensured that sufficient time and attention has been given to the affairs of the Group in the financial year ended 31 December 2023 ("**FY2023**"). The following table discloses the number of meetings held by the Board and Board Committees and the attendance of all Directors in FY2023:

| | BOARD | | AC | | NC | | RC | |
|---|---|---|---|---|---|---|---|---|
| | NUMBER | ATTENDED | NUMBER | ATTENDED | NUMBER | ATTENDED | NUMBER | ATTENDED |
| Guo Hong Xin | 4 | 4 | N/A | N/A | 1 | 1 | N/A | N/A |
| Ma Ming | 4 | 4 | N/A | N/A | N/A | N/A | N/A | N/A |
| Lau Ping Sum Pearce | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Chin Sek Peng | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Li Lei | 4 | 2(1) | N/A | N/A | 1 | 1 | 1 | 1 |
| Yang Zheng | 4 | 4 | 4 | 4 | 1 | 1 | N/A | N/A |
| Wang Dao Fu | 4 | 4 | N/A | N/A | 1 | 1 | 1 | 1 |
| Wang Guannan | 4 | 4 | N/A | N/A | 1 | 1 | 1 | 1 |

(1) Mr Li Lei appointed an authorised representative to attend the Board meetings on his behalf in 2023.

(viii) Each new and existing Director receives appropriate training to develop individual skills in order to discharge his duties as a director of a listed company. A formal letter of appointment would be furnished to every newly-appointed Director upon his or her appointment explaining, among other matters, the roles, obligations, duties and responsibilities of a member of the Board. The Group also provides information about its history, mission and values to the Directors. Where necessary, the Directors will be updated regarding new legislation, regulations and changing commercial risks which are relevant to the Group. Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic direction, directors' duties and responsibilities and corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business. The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties and responsibilities. These seminars and training will be funded by the Company. In addition, the Company has adopted more robust internal processes designed to ensure compliance with disclosure requirements under the Mainboard listing rules ("**Listing Rules**").

(ix) The administration of options is a key focal point of the Board's work. The Board should include new grant applications as an agenda item during Board meetings when there are new option grants. The RC exercises oversight of the Company's internal control framework relating to the administration of any share option schemes and makes recommendations to the Board in respect of possible improvements to such schemes. The Company has initiatives and measures in place to further strengthen its internal processes relating to the grant and exercise of options in accordance with the Listing Rules, including the appointment of external advisors to review the internal processes and provide training if necessary. These initiatives and measures will be reviewed from time to time and updated as necessary.

(x) The Management monitors changes to regulations, policies and financial reporting standards issued by, amongst others, the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority of Singapore. Any change that might impact the Group and its disclosure obligations are promptly brought to the attention of the Board, either during Board meetings or via circulation of Board papers. The external auditors will update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

(xi) In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company prior to Board meetings.

### Access to Information

(i) The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision-making process on an on-going basis and in a timely manner.

(ii) Board papers are circulated to the Directors before the scheduled meetings so as to allow for a better understanding of the issues and more effective discussion for questions that the Directors may have.

(iii) The Directors have separate and independent access to the senior Management and the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of meetings of the Board and of the Board Committees, which are thereafter circulated. The Company Secretaries assist the Company to comply with the corporate secretarial aspects of the Bye-Laws and the applicable sections of the Listing Rules and the applicable sections of the Companies Act 1967 and the Securities and Futures Act 2001.

(iv) The appointment and removal of the Company Secretaries are subject to the approval of the Board.

(v) In carrying out their duties, the Directors, whether individually or as a group, have direct access to independent professional advisors to obtain advice, at the Company's expense.

### Board Diversity

The Board has put in place a Board Diversity Policy for the Company which endorses the principle that its Board should have the optimum balance of skills, knowledge, experience and other aspects of diversity to avoid groupthink and foster constructive debate that support the Group in the pursuit of its strategic and business objectives, and its sustainable development. The policy provides a range of perspectives, insights and challenges that leads to well-balanced decision-making for the benefit of the Group.

The Company is committed to establishing and maintaining a diverse Board, comprising Directors of different ages, genders, qualifications, skills, backgrounds, experience and knowledge in various fields and relevant industries, and other relevant attributes that will benefit the effective governance of the Group. These differences will be considered in determining the optimal composition of the Board and, to the extent possible, will be balanced appropriately. All appointments to the Board are based on merit and after due consideration of the collective skills needed to strengthen the overall Board governance role.

When assessing potential candidates for appointment or re-election to the Board, the NC appraises each candidate based on merit, against the objective criteria set by the Board, as well as considering the benefits of diversity in Board members, and the collective needs of the Board.

### Gender Diversity and Directors' Skills Matrix

The Board currently consists of seven male Directors and one female Director, of which the male representation on the Board is 87.5%, and the female representation on the Board is 12.5%.

The Board and the Board committees comprise Directors who collectively provide an appropriate balance and mix of skills, knowledge, talents, experience, and other aspects of diversity, such as executive leadership, financial market expertise, risk and compliance, industry knowledge and legal expertise etc.

The age range and skill matrix of the Board members is set out below:

| AGE GROUP | NO. OF DIRECTORS AND PERCENTAGE OF THE BOARD | |
|---|---|---|
| 35-50 | 2 | 25.0% |
| 51-65 | 3 | 37.5% |
| 66-80 | 2 | 25.0% |
| 81-85 | 1 | 12.5% |

| DIRECTORS' SKILLS MATRIX | |
|---|---|
| Executive leadership | 5 |
| Financial market expertise | 4 |
| Risk and compliance | 3 |
| Industry knowledge | 2 |
| Legal expertise | 2 |

### Diversity Targets and Progress in FY2023

In FY2023, the Company and the Board targeted to ensure that the Directors, as a group, continue to possess core skills, talents, experience and diversity, so as to achieve the strategic and business objectives of the Group. The Company and the Board believes that such diversity can support the work of the Board to help shape the Company's strategic objectives and provide effective guidance for the Management. To achieve this target, the NC reviews on an annual basis the balance and mix of skills, knowledge, experience, and aspects of diversity such as gender and age, and the optimum size of the Board necessary to facilitate efficient and effective decision making.

The Group expanded into the Green Investment ("**GI**") business in 2015 and has currently reached a critical scale of 11 projects in operation. As part of the target in its continuous search for candidates for new Director(s), the NC will consider a comprehensive range of factors, including the candidates' skills, talents, experience and diversity, as well as the Company's strategy and related requirements for the next stage of the Company's development.

The NC reports annually to the Board on the progress made in achieving the objectives set for promoting diversity as described in the policy.

The Board will continue to build on the element of diversity, recognising the importance of having an effective and diverse Board and will review the Board Diversity Policy periodically to ensure its effectiveness and alignment with best practices and the requirements of the Code, as amended from time to time, and any other relevant legislation. Any further progress made in the ongoing implementation of such policy or objectives will be disclosed in future Corporate Governance Reports, as appropriate.

## Board Composition and Guidance

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.*

The Board comprises the following members:

| NAME OF DIRECTOR | POSITION HELD ON THE BOARD | DATE OF FIRST APPOINTMENT TO THE BOARD | DATE OF LAST RE-ELECTION AS DIRECTOR | DUE FOR RE-ELECTION AT THE NEXT ANNUAL GENERAL MEETING | NATURE OF APPOINTMENT |
|---|---|---|---|---|---|
| Guo Hong Xin | Chairman | 12 May 2004 | 28 April 2022 | N/A | Non-Executive/ Non-Independent |
| Ma Ming | Director/Chief Executive Officer | 12 May 2004 | 28 April 2023 | N/A | Executive/ Non-Independent |
| Lau Ping Sum Pearce | Director | 2 February 2005 | 28 April 2023 | N/A | Non-Executive/ Independent |
| Chin Sek Peng | Director | 2 February 2005 | 28 April 2022 | N/A | Non-Executive/ Independent |
| Li Lei | Director | 3 March 2017 | 28 April 2023 | N/A | Non-Executive/ Non-Independent |
| Yang Zheng | Director | 10 November 2017 | 28 April 2021 | Retirement by rotation pursuant to Bye-Laws | Non-Executive/ Independent |
| Wang Dao Fu | Director | 25 June 2019 | 28 April 2021 | Retirement by rotation pursuant to Bye-Laws | Non-Executive/ Independent |
| Wang Guannan | Director | 25 February 2022 | 28 April 2022 | N/A | Non-Executive/ Non-Independent |

(ii) The Board currently comprises eight (8) Directors, four (4) of whom are Independent Directors. In accordance with Provision 2.3 of the Code, the Board comprises seven (7) Non-Executive Directors which make up a majority of the Board.

The NC adheres to the provisions of the Listing Rules and of the Code in its review of who can be considered as an Independent Director. The NC is of the view that all the Non-Executive Directors are Independent except for Mr Guo Hong Xin ("**Mr Guo**"), Mr Li Lei and Ms Wang Guannan.

Each Independent Director exercises his own judgement independently and in the best interests of the Company and shareholders. None of the Independent Directors has any relationship with the Company, its subsidiaries, its related corporations, its substantial shareholders or its officers that could interfere, or reasonably be perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

In accordance with Provision 2.2 of the Code, Independent Directors are to make up a majority of the Board where the Chairman is not independent. Although Mr Guo is the Non-Executive Chairman of the Company, the Independent Directors do not currently make up the majority of the Board. Notwithstanding the foregoing, the Board believes that at this stage, Mr Guo's leadership in his role as Non-Executive Chairman is still merited as Mr Guo is one of the founders of the Company, and continues to support the development of the Group.

In addition, the Board is capable of maintaining the appropriate level of checks and balances. This is demonstrated by the fact that Mr Guo would recuse himself from matters where he has a material personal interest. In such cases, deliberations would be led by the Lead Independent Director. Upon Mr Guo's recusal, the Independent Directors would then make up the majority of the Board deciding on such matters. Accordingly, the Independent Directors are in a strong position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision. In addition, as each Director actively participates in the Board's decision-making process, decisions are made collectively without any individual or small group of individuals influencing or dominating the process.

The Board notes that on 11 January 2023, the Listing Rules have been amended to prescribe a nine-year tenure limit for independent directors. In accordance with Rule 210(5)(d)(iv) of the Listing Rules, a director will not be independent if he/she has been a director of the company for an aggregate period of more than nine (9) years (whether before or after listing). Rule 210(5)(d)(iv) will be in effect on the date of the Annual General Meeting ("**AGM**") of the Company for the financial year ending on or after 31 December 2023.

Applying Rule 210(5)(d)(iv), Mr Lau Ping Sum Pearce and Mr Chin Sek Peng will not be considered as Independent Directors at the forthcoming AGM for the financial year ended 31 December 2023 and both of them will cease as Directors at the forthcoming AGM of the Company. The Board notes that, following the cessation of Mr Lau Ping Sum Pearce and Mr Chin Sek Peng to act as Directors, the number of Independent Directors and the AC will not meet the requirements of Rules 210(5)(c) and 704(8) of the Listing Rules. The Board shall use its best endeavours to fill the vacancy within two (2) months, and in any case not later than three (3) months. The Board further notes that the cessation of Mr Lau Ping Sum Pearce and Mr Chin Sek Peng to act as Directors will result in Independent Directors not forming the majority of the NC, RC and AC, and therefore non-compliance with Provisions 4.2, 6.2 and 10.2 of the Code respectively. The NC is in the process of assessing and recommending the appropriate replacement to fill the vacancy within the required period and the Company will make an announcement in due course.

(iii) The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

(iv) The Board comprises Directors who are all professionals with diverse backgrounds in financial, accounting, legal, and other industry sectors, thereby enabling them to contribute each of their respective areas of expertise in collectively leading the Company. The NC is of the view that the current Board consists of the appropriate mix of expertise and experience to meet the Company's targets. Qualifications and experiences of the Board members are set out on pages 14 to 17 of the Annual Report. Particulars of interests of Directors who held office at the end of the financial year in shares in the Company and in related corporations (other than wholly owned subsidiary companies) are set out in the Directors' Statement.

(v) The Non-Executive Directors contribute to the Board processes by monitoring and reviewing the performance of the Management against its goals and objectives. Their views and opinions provide alternative perspectives to the Group's business, and they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

(vi) The Non-Executive Directors meet and/or hold discussions as and when required without the Management's presence to facilitate a more effective check on the Management. Mr Guo may attend the meeting as Non-Executive Director when necessary and he would recuse himself from matters where he has a material personal interest, as deliberated upon in the above Principal 2 (ii).

(vii) Based on the Group's current size and operations, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company, consistent with the spirit and intent of Principle 2 of the Code. As at the date of this report, the Board comprises seven (7) Non-Executive Directors who make up the majority of the Board as well as one (1) Executive Director.

### Chairman and Chief Executive Officer

*Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

(i) Mr Guo is currently the Non-Executive Chairman of the Board while Mr Ma Ming is the Chief Executive Officer ("**CEO**"). There is a clear division of roles and responsibilities between the Non-Executive Chairman and the CEO. The Non-Executive Chairman leads and manages the business of the Board whilst the CEO and his team of management staff translate the Board's decisions into executive action. The segregation of the roles and responsibilities of the Chairman and the CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

(ii) The responsibilities of the Chairman include:

- mobilising the Board to formulate the development strategy, set out the development aims and approve the aims;
- leading the Board to ensure the effectiveness of its role in all respects;
- scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda in consultation with other Directors;
- promoting culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- encouraging constructive relations within the Board;
- assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
- overseeing effective communication with shareholders; and
- ensuring that Board meetings are held when necessary.

The CEO is primarily responsible for overseeing the Management and strategic operation of the Group as well as assisting in the working of the Board. The responsibilities of the CEO include:

- propelling the implementation of the strategy approved by the Board in order to direct the management team to effectuate the aims approved by the Board;
- developing the Group's businesses and operational strategies;
- implementing the Board's decisions;
- assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
- assisting in the holding of the Board meetings when necessary; and
- reviewing key proposals by the Management before they are presented to the Board.

(iii) The Company Secretaries may be called upon to assist the Chairman in any of the above matters.

(iv) In view of the fact that the Non-Executive Chairman is not an Independent Director, the Company has appointed Mr Yang Zheng as the Lead Independent Director. Shareholders of the Company with concerns that could have a material impact on the Group, for which contact through the normal channels with the Non-Executive Chairman, CEO, or Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate, are able to contact the Lead Independent Director.

(v) The Board believes that there is sufficient oversight and standards of accountability to ensure that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

**Board Membership**

*Principle 4:* *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

(i) The NC comprises Mr Lau Ping Sum Pearce, Mr Guo, Mr Chin Sek Peng, Mr Li Lei, Ms Wang Guannan, Mr Yang Zheng and Mr Wang Dao Fu, a majority of whom are Independent Directors. The chairman of the NC, Mr Wang Dao Fu, is an Independent Director. The NC meets at least once a year and at other times as required.

(ii) The key terms of reference of the NC are as follows:

(a) the NC shall consist of not less than three (3) Directors, a majority of whom shall be Independent Directors;

(b) the chairman of the NC shall be appointed by the Board and shall be an Independent Director; and

(c) the Board shall appoint a new member of the NC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

(iii) The NC performs the following functions in accordance with its terms of reference:

(a) carrying out annual reviews of the effectiveness of the Board and each individual Director;

(b) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board, having regard to their background, potential contribution to the Group based on their experience and expertise, and ability to exercise independent business judgement;

(c) reviewing all candidates nominated for appointment as senior staff of the Management;

(d) reviewing and recommending to the Board, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the Listing Rules, principles of corporate governance and the Code;

(e) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each AGM of the Company, having regard to the Directors' contribution and performance;

(f) assessing the independence of the Directors (taking into account the circumstances set out in the Listing Rules, the Code and other salient factors); and

(g) proposing a set of objective performance criteria to the Board for approval and implementation, and to evaluate the effectiveness of the Board, its Board Committees and Directors as a whole and the contribution of each Director to the effectiveness of the Board, its Board Committees and Directors.

(iv) Pursuant to the Company's Bye-Laws and the Listing Rules, all Directors are required to submit themselves for re-nomination and re-election at least once every three (3) years.

(v) The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his other listed company board directorships and other principal commitments. Therefore, the Board has passed a resolution to remove the maximum number of listed company board representations that any of its directors may hold.

(vi) In the event that the Board decides to appoint new Directors, the NC will conduct an assessment to review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The NC will also consider the proposed candidate's independence, expertise, background and skill sets before the NC makes its recommendations to the Board.

(vii) Save for their directorships in the Company, none of the Independent Directors have any relationships with the Company and/or its related corporations, the Company's substantial shareholders, or the Company's officers.

(viii) Succession planning is an important part of the governance process. The NC makes recommendations to the Board on matters relating to the review of succession plans for Directors and will seek to refresh the Board membership progressively and in an orderly manner.

With regard to the succession planning for the Board, the NC aims to maintain an optimal Board composition by considering the Company's strategic priorities and the factors and trends affecting the long-term success of the Company, reviewing the skills needed on the Board, and identifying the gaps (which includes considering whether there is an appropriate level of diversity of thought) on the then existing Board.

The listed company directorships and principal commitments* of the Directors are set out in the table below:

| NAME OF DIRECTORS | LISTED COMPANY DIRECTORSHIPS | PRINCIPAL COMMITMENTS* |
|---|---|---|
| ***Executive Directors*** | | |
| Mr Ma Ming | Sunpower Group Ltd. | Executive Director, CEO |
| | Sunpower Technology (Jiangsu) Co., Ltd | Deputy Chairman |
| ***Independent Directors*** | | |
| Mr Lau Ping Sum Pearce | Sunpower Group Ltd. | Independent Director, RC Chairman, member of AC, NC and IC |
| | Cortina Holdings Limited | Independent Director, RC Chairman, member of AC and NC |
| | – | Member of the Singapore Institute of Directors. Chairman of the Programme Advisory Committee for BA Translation and Interpretation |
| | – | Examiner for Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences |
| | – | Adjunct Professor of Translation and Interpretation |

# CORPORATE GOVERNANCE REPORT

| NAME OF DIRECTORS | LISTED COMPANY DIRECTORSHIPS | PRINCIPAL COMMITMENTS* |
|---|---|---|
| Mr Chin Sek Peng | Sunpower Group Ltd. | Independent Director, AC Chairman, member of NC, RC and IC |
| | Cortina Holdings Limited | Lead Independent Director, AC Chairman, NC member |
| | – | Director of C&L Business Advisers Pte Ltd |
| | – | Founder and consultant to PKF Singapore |
| Mr Yang Zheng | Sunpower Group Ltd. | Lead Independent Director, member of AC, NC and IC |
| | Luenmei Quantum Co., Ltd. | Independent Director |
| | Anhui Xinke New Materials Co., Ltd. | Independent Director |
| | MeiG Smart Technology Co., Ltd. | Independent Director |
| | SVG Tech Group Co., Ltd. | Independent Director |
| | – | Professor of Nanjing Audit University |
| Mr Wang Dao Fu | Sunpower Group Ltd. | Independent Director, NC Chairman and member of RC and IC |
| | Matex International Limited | Independent Director |
| | – | Founding Partner of Yuan Tai Law Offices |
| | – | Director of Proceq Trading (Shanghai) Co. Ltd (China) |
| ***Non-Executive, Non-Independent Directors*** | | |
| Mr Guo Hong Xin | Sunpower Group Ltd. | Non-Executive Chairman and NC member |
| | Genscript Biotech Corporation | Independent Director, RC Chairman and AC member |
| | – | Chairman of Sunpower Technology (Jiangsu) Co., Ltd. |
| | – | Executive Director of Nanjing Fuyou Investment Co., Ltd. |
| | – | Legal Representative of Zhuhai Hengqin Fuyou Investment Partnership (Limited Partnership) |
| Ms Wang Guannan | Sunpower Group Ltd. | Non-Executive and Non-Independent Director, member of NC and RC |
| | – | Executive Director of DCP Capital |

| NAME OF DIRECTORS | LISTED COMPANY DIRECTORSHIPS | PRINCIPAL COMMITMENTS* |
|---|---|---|
| Mr Li Lei | Sunpower Group Ltd. | Non-Executive and Non-Independent Director, member of NC and RC |
| | – | Managing Director of CDH Investments Management (Hong Kong) Limited ("**CDH Investments**") |
| | – | Mr Li is the managing director of CDH Investments and according to the internal arrangement of CDH Investments, Mr Li is the rotating director and he has served as director of another 23 companies in which CDH Investments has invested. However, Mr Li is not involved in, nor does he make any decisions relating to, any operational matters in these companies. |

* The term "**principal commitments**" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

### Board Performance

*Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

(i) The Board has established a formal assessment process which will be carried out annually for evaluation of the performance of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board. The following are certain of such performance criteria:

- attendance at Board meetings;
- level of participation at Board meetings and overall commitment;
- ability to strategise and propose sound business direction; and
- contribution of specialised knowledge.

(ii) The appraisal process requires the Directors to complete appraisal forms which will be collated by the external facilitator, Dentons Rodyk & Davidson LLP, which will compile the results of the appraisal for review by the NC. The NC will thereafter report to the Board. Such an appraisal process was carried out in respect of FY2023.

Dentons Rodyk & Davidson LLP is also the Company's Singapore corporate secretarial service provider and Senior Partner, Ms Marian Ho of Dentons Rodyk & Davidson LLP serves as Company Secretary of the Company.

## 2 REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 6:* *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

(i) The RC comprises Mr Lau Ping Sum Pearce, Mr Chin Sek Peng, Mr Li Lei, Ms Wang Guannan and Mr Wang Dao Fu. A majority of the aforementioned Directors are Independent Directors. The chairman of the RC is Mr Lau Ping Sum Pearce, an Independent Director. The RC meets at least once a year and at other times as required.

(ii) The key terms of reference of the RC are as follows:

(a) The RC shall consist of not less than three (3) Directors, a majority of whom shall be Independent Directors. At least one (1) member should be knowledgeable in executive compensation, and if there is a need, expert advice may be obtained internally or externally.

(b) The chairman of the RC shall be appointed by the Board and shall be an independent Director.

(c) The Board shall appoint a new member of the RC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

(iii) The duties and responsibilities of the RC include ensuring that there is a formal, transparent and objective procedure for fixing the remuneration packages of the Directors and key executives. Such level of remuneration should serve to attract, retain and motivate the Directors and key executives needed to manage the Company successfully. A proportion of such remuneration should be linked to performance of the Company as well as the individual concerned.

(iv) The RC performs the following functions in accordance with its terms of reference:

(a) reviewing and recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the Directors' and key executives' performance;

(c) reviewing and recommending the specific remuneration package to the Board for each Executive Director and the key executives;

(d) considering the eligibility of directors, executives and employees for benefits under long-term incentive schemes;

(e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy; and

(f) exercising oversight of the Company's internal control framework relating to the administration of any share option schemes and making recommendations to the Board in respect of any possible improvements to such schemes.

(v) Each member of the RC shall abstain from voting on any resolution concerning his or her own remuneration.

(vi) The RC shall review the Company's obligations arising in the event of the termination of the contract of service of any Executive Director or key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses.

(vii) The RC may from time to time, and where necessary or required, seek professional advice internally and/or externally pertaining to remuneration of all Directors.

*Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.*

(i) None of the Independent Directors have service agreements with the Company. Each Independent Director is paid a Director's fee which is determined by the Board based on the effort and time spent as well as responsibilities as member of the AC, NC and RC. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent Directors do not receive any remuneration from the Company.

(ii) According to the service agreement of the Executive Director:

- the service agreement is valid for an initial period of three (3) years which commenced from 1 January 2008 and shall be renewed automatically annually thereafter. The terms of the service agreement may be amended from time to time as agreed between the Executive Director and the Company, taking into account the prevailing developments and circumstances in relation to the employment of the Executive Director with the Company;
- the remuneration of the Executive Director includes a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders; and
- the service agreement may be terminated by either the Company or the relevant Executive Director giving not less than six (6) months' notice in writing.

**Directors' Fees**

The proposed fees for Non-Executive Directors to compensate their time and effort comprise a basic retainer fee and additional fees for appointment to Board Committees and involvement in ad hoc projects. The Board believes that the fees for Non-Executive Directors are commensurate with their respective levels of contribution, taking into account factors such as effort, time spent, and responsibilities.

No Director decides on his own fees. Directors' fees are recommended by the RC and are submitted for endorsement by the Board. Directors' fees are subject to the approval of shareholders at the AGM.

Generally, Directors' fees for each financial year are paid in arrears, in the following financial year, after obtaining shareholders' approval at the AGM.

The remuneration framework and structure are set out in the section on "Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation".

As reflected in the table set out in the section on "Disclosure on Directors' and Key Executives' Remuneration", 59.7% of the Executive Director's remuneration is made up of variable or performance related income/ bonuses. The Board is of the view that this makes up a significant and appropriate portion of the Executive Director's remuneration, and that the Executive Director's performance related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

**Remuneration of Key Executives**

The remuneration framework and structure are set out in the section on "Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation". The proportion of the key executives' remuneration linked to performance is set out in the table in the section on "Disclosure on Directors' and Key Executives' remuneration". The Company continually improves and strengthens its internal management to ensure that the remuneration packages are always appropriate and accompanied by competitive compensation and progressive policies with suitable and attractive incentives. While the proportion varies between the key executives, the Board is of the view that in each case, performance related remuneration makes up a significant and appropriate proportion of the key executives' remuneration, and is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

*Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

(i) The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Company and individual.

(ii) Our remuneration framework is made up of three (3) key components:

- Base/fixed salary
- Variable or performance related income/bonuses
- Other benefits

Base/fixed salary

Fixed pay comprises a base salary.

Variable or performance related income/bonuses

Variable bonus payouts are based on actual achievement against corporate, business unit and individual performance objectives.

Other benefits

Other benefits include contributions to the Housing Fund, Social Security Scheme and other allowances. The Social Security Scheme mainly comprises insurances for retirement pension, unemployment compensation, medical, work-related injuries, and maternity, while other allowances include car allowance.

(iii) A breakdown, showing the level and mix of each individual Director's and key executive's remuneration in FY2023 is reflected in the section below on "Disclosure on Directors' and Key Executives' Remuneration".

**Disclosure on Directors' and Key Executives' Remuneration**

The Board has not disclosed the remuneration of the Company's individual Directors and key executives of the Group in full, in view of the competitive nature of the industry in which the Group operates and to maintain confidentiality on remuneration matters of the Group. While the Board acknowledges that not all of the information specified in Provision 8.1 of the Code has been disclosed, the Board believes that for the aforementioned reasons, this decision is in the interests of the Company. Furthermore, the Board believes that it has been sufficiently transparent (while balancing the interests of the Company and the Group) in relation to its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. As such, the Board believes that the practices that the Board has adopted are consistent with Principle 8 of the Code.

The variable or performance related income/bonus is to recognise the efforts and contributions and performance of the Executive Director and key executives, whether as a whole and/or on an individual basis, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

The level and mix of each Director's and key executive's remuneration in FY2023 are as follows:

| REMUNERATION BAND & NAME OF DIRECTOR | BASE/FIXED SALARY | VARIABLE OR PERFORMANCE RELATED INCOME/ BONUSES | DIRECTOR'S FEES | OTHER BENEFITS* | TOTAL |
|---|---|---|---|---|---|
| *Executive Director* | | | | | |
| Between S$3,100,000 to S$3,400,000 | | | | | |
| Mr Ma Ming | 39.8% | 59.7% | – | 0.5% | 100% |
| *Non-Executive, Non-Independent Directors* | | | | | |
| Between S$300,000 to S$400,000 | | | | | |
| Mr Guo Hongxin | – | – | 100% | – | 100% |
| *Independent Directors* | | | | | |
| Below S$250,000 | | | | | |
| Mr Lau Ping Sum Pearce | – | – | 100% | – | 100% |
| Mr Chin Sek Peng | – | – | 100% | – | 100% |
| Mr Yang Zheng | – | – | 100% | – | 100% |
| Mr Wang Daofu | – | – | 100% | – | 100% |
| *Non-Executive, Non-Independent Directors* | | | | | |
| Mr Li Lei | – | – | – | – | – |
| Ms Wang Guannan | – | – | – | – | – |
| *Key Executives* | | | | | |
| Between S$100,000 to S$350,000 | | | | | |
| Ms Wang Hui | 52.9% | 40.9% | – | 6.3% | 100% |
| Mr Tang Hao | 58.5% | 38.9% | – | 2.6% | 100% |
| Mr Shi Shaolin | 35.5% | 57.6% | – | 6.9% | 100% |
| Mr Sha Jianhua | 55.1% | 41.9% | – | 3.0% | 100% |
| Mr Zheng Xiaodong | 44.5% | 49.0% | – | 6.5% | 100% |
| Mr Xu Jun | 49.5% | 45.6% | – | 4.8% | 100% |
| Mr Wang Ning | 34.9% | 61.8% | – | 3.3% | 100% |

* Other benefits include contributions to the Housing Fund, Social Security Scheme and other allowances.

Above are the Group's key executives in FY2023. The total remuneration paid to the above key executives (who are not Directors or the CEO) of the Company in FY2023 is RMB8.05 million.

Save as disclosed above, the Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 during FY2023.

(iv) The Sunpower Employee Share Option Scheme 2015 ("**ESOS 2015**") was approved and adopted by the shareholders of the Company at a special general meeting held on 29 April 2015[1]. The implementation of ESOS 2015 aligned the interests of its shareholders with the Company.

On 19 May 2015, the Company announced it has granted a total of 59,220,000 share options (the "**Initial Grant**"). Of the 59,220,000 share options granted pursuant to the Initial Grant, 5,922,000 share options were granted to Mr Guo, Executive Director (currently Non-Executive Director) and controlling shareholder of the Company at the time of the grant; 8,968,000 share options to Mr Ma Ming, Executive Director (currently Executive Director and CEO) and controlling shareholder of the Company at the time of the grant; and 44,330,000 share options to the employees of the Group.

An aggregate of 3,710,000 share options from the Initial Grant has lapsed from 2016 to 2020. Subsequently, the Company granted a total of 3,710,000 share options, a number that is equivalent to the lapsed options, comprising 210,000, 1,420,000, 1,080,000 and 1,000,000 share options granted respectively on 20 July 2016, 11 May 2018, 31 January 2019 and 20 March 2020, to the employees of the Group. No options were granted or lapsed during the financial year ended 31 December 2023. As at 31 December 2023, an aggregate of 58,029,000 ordinary shares were issued and allotted pursuant to the exercise of options under ESOS 2015.

## 3 ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

*Principle 9:* *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.*

(i) The Group has put in place a system of risk management and internal controls to respond to financial, operational, compliance and information technology risks that are significant to the achievement of the Group's business objectives.

(ii) The Board reviews the adequacy and effectiveness of the Group's risk management and internal controls, including operational controls and is responsible for the overall internal control framework annually. The Board acknowledges that no cost-effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

(iii) The Board has obtained a written confirmation from the CEO and the CFO that:

(a) the financial records of the Group have been properly maintained and the financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) to give a true and fair view of the Group's operations and financial position as at reporting date and its performance for the financial year then ended; and

(b) the risk management and internal control systems that are in place in the Group are adequate and effective to address the key risks in the Group.

(iv) Based on the confirmation from the CEO and CFO as described above, review of the findings from the auditors on the Group's internal controls and the Management's responses to the auditors' recommendation for improvements to the Group's internal controls, review of minutes of the RMC including any significant matters reported to the AC by the risk management team and discussions with the auditors and Management, the Board with the concurrence of the AC, is of the opinion that the internal controls are adequate and effective to address key financial, operational, and compliance risks as at 31 December 2023. Additionally, the Board is satisfied that the risk management system that it has put in place together with the abovementioned internal controls are adequate and effective to address the key risks of the Group including information technology risk.

(1) Further information relating to ESOS 2015 can be found in the circular issued to the Company's shareholders dated 6 April 2015.

To strengthen its risk management processes and framework, the RMC was formed in 2011. As at the date of this report, the members of the RMC comprise Mr Ma Ming, Executive Director and Chief Executive Officer; Mr Yang Zheng, Lead Independent Director; Mr Tang Hao, Group Vice President; Ms Wang Hui, the Chief Financial Officer; and Ms Li Qingshuang, Group Assistant Vice President and the head of the Internal Control Department. The RMC shall meet no less than two (2) times a year and at other times as required.

(v) The RMC performs the following key functions in accordance with its terms of reference:

(a) evaluate and provide advice on the business risks (strategic, financial, operational and compliance with laws and regulations);

(b) study and identify internal controls and risk management strategies to manage the identified risks;

(c) design and implement new controls and strategies to address identified business risks;

(d) study and analyse material investments, financing and other operational management activities, and advise the Board; and

(e) any other functions as authorised by the Board.

The RMC is currently supported by the vice director of the Internal Control Department, Ms Zhang Ying, who is a lawyer and the risk management secretary of the RMC. Based on the internal controls and risk management framework established, the team is responsible for supporting the RMC which includes the regular monitoring of risks and updating of the risk register as appropriate. It also carries out checking of operational and business areas as directed by Management ensuring that the Company has a comprehensive and sound risk management system that is operating as prescribed. Findings noted by them will be reported to the Management with any significant matters reported to the AC.

**Audit Committee**

*Principle 10: The Board has an AC which discharges its duties objectively.*

(i) The AC comprises three (3) Independent Non-Executive Directors, namely, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce and Mr Yang Zheng.

The Chairman of the AC, Mr Chin Sek Peng is a Fellow Chartered Accountant of Singapore and a Fellow Member and Business and Finance Professional of the Institute of Chartered Accountants in England and Wales, and has worked in the accounting profession for almost 44 years, of which he practised as a Singapore public accountant for 23 years. He is currently the Founder and Consultant to PKF Singapore including PKF-CAP LLP, a firm of chartered accountants in Singapore. The other members of the AC have many years of experience in business and financial management. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the function of the AC.

(ii) The key terms of reference of the AC include the following:

(a) the AC shall consist of not less than three (3) Directors appointed by the Board, all of whom shall be Non-Executive Directors with the majority being Independent Directors. At least two (2) members of the AC shall have accounting or related financial management expertise or experience and its membership, details of its activities, number of meetings and attendance at such meetings, shall be disclosed annually; and

(b) the Board shall appoint a new member within three (3) months of cessation so that the number of members does not fall below three (3).

(iii) The AC performs, *inter alia*, the following key functions:

(a) reviewing with internal and external auditors their audit plans, their evaluation of the system of internal controls and the reports on their findings including recommendations for improvement;

(b) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls which are carried out internally and/or with the assistance of professional service firms;

(c) reviewing the Group's financial results and the announcements, and annual consolidated financial statements of the Company and its subsidiaries as well as the statement of financial position and statement of changes in equity of the Company before submission to the Board for approval;

(d) reviewing the adequacy, effectiveness, scope and results of the external audit and the independence and objectivity of the external auditors;

(e) reviewing significant findings of internal investigations, if any;

(f) recommending to the Board the appointment or re-appointment of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(g) reviewing interested person transactions; and

(h) any other functions as required by law or the Code.

(iv) The AC is authorised to investigate any matters in its terms of reference and has full access to the co-operation of the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly.

(v) The AC meets with the external auditor and internal auditor without the presence of the Management annually. The AC also meets with the external auditor to discuss matters relating to internal accounting controls as well as the results of their audit of the Group.

(vi) The AC reviews, *inter alia*, the independence and objectivity of the external auditor annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditor. The AC seeks to maintain objectivity by reviewing all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

(vii) The Group has complied with Rules 712, Rule 715 and Rule 716 of the Listing Rules in relation to its auditors.

(viii) The AC reads technical newsletters as appropriate and receives updates from the external auditor during AC meetings, so as to keep abreast of changes in accounting standards and issues.

(ix) No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

### Whistle-blowing Policy

The Board undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels (such as email address and telephone contact) within the Group, including a direct channel to the AC, for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The Company has a well-defined process which ensures independent investigation of issues/concerns raised including appropriate follow-up action, and provides assurance that whistle-blowers will be protected from reprisal and detrimental or unfair treatment for whistle-blowing in good faith. The Company will treat all information received confidentially and protect the identity of all whistle-blowers. Reports can be lodged by calling the hotline at 0086-025-52798691 or via email at sunpower12345@163.com. The AC reviews and considers whistle-blowing complaints at its quarterly meetings to ensure independent, thorough investigation and appropriate follow-up actions. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board can have access to the appropriate external advice where necessary. The AC is responsible for the overall oversight and monitoring of the whistle-blowing policy and its implementation.

### The AC Commentary to Key Audit Matter

The AC noted the key audit matters ("**KAMs**") set out in the independent auditor's report. These KAMs relate to matters that in the auditor's professional judgement represent the most significance in the audit of the financial statements of the Group for the financial year ended 31 December 2023 ("**FY2023**"). These matters are considered most significant by the auditor largely because the amount is material and there is a high level of judgement and estimate involved particularly in the recognition of revenue, cost and intangible assets during construction phase for GI projects based on percentage completion and repayment of the convertible bonds. They are therefore subject to greater emphasis and scrutiny in the audit and was selected by the auditor for communication with the AC.

The AC has discussed and reviewed the KAMs with the auditor and the management and has provided its comments below.

| | KAMs INVOLVING SIGNIFICANT JUDGEMENTS AND ESTIMATES BY MANAGEMENT | MATTERS CONSIDERED BY AC | CONCLUSION BY AC |
|---|---|---|---|
| 1 | **Revenue, cost and intangible assets arising from Build-Operate-Transfer ("BOT") projects**<br>*(Refer to Notes 3.2(a), 17 and 32 to the financial statements)* | The Group has BOT projects which involve expenditure of costs during the construction phase to be recovered from operating the facilities and selling steam and electricity in the future.<br><br>The Group recognises revenue in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, namely revenue is recognised when (or as) the performance obligations are satisfied. Intangible assets arising from costs incurred during the construction phase which are projected to be recoverable during the operating period are recognised in accordance with SFRS(I) INT 12 *Service Concession Arrangements*.<br><br>The AC discussed with Management and the Auditor on the significant judgements and estimates made in relation to:<br><br>(i) projection of total revenue which can be billed to end users during the operating period;<br><br>(ii) evaluation of estimated profit margins for each of the construction and operating phases;<br><br>(iii) allocation of revenue between the construction and service elements of the project; and<br><br>(iv) recoverable amount of intangible assets which represent cost recoverable from future operations. | AC is satisfied that the intangible asset and revenue recognised for BOT projects during the construction phase are in accordance with the guidance set out in SFRS(I) INT 12 - *Service Concession Arrangements* and SFRS(I) 15 *Revenue from Contracts with Customers*. |

| | KAMs INVOLVING SIGNIFICANT JUDGEMENTS AND ESTIMATES BY MANAGEMENT | MATTERS CONSIDERED BY AC | CONCLUSION BY AC |
|---|---|---|---|
| 2 | **Repayment of convertible bonds** *(efer to Notes 1 and 21 to the financial statements)* | As disclosed in Note 1 to the financial statements, the shareholders approved the extension of the maturity date of the convertible bonds (the "**CBs**") to April 2025, amongst other amendments at a Special General Meeting on 28 July 2023. The Group is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group's existing operations and financials, and monetising certain GI projects.<br><br>AC has discussed with:<br><br>(i) the Management on its plans to redeem the CBs; and<br><br>(ii) the Auditor on the work performed in evaluating Management's plans to raise the required funds for the redemption of the CBs including reviews of board meetings and directors resolutions, twelve (12) months cashflow projection of the Group, the adequacy of disclosures in the financial statements regarding the repayment of the CBs and other relevant evidence supporting Management's plans to redeem the CBs. | AC is satisfied with:<br><br>(i) the Management's plans to raise the required funds for the redemption of the CBs; and<br><br>(ii) the adequacy of the work performed by the Auditor in evaluating Management's plans to raise the required funds for the redemption of the CBs. |

### Internal Audit

(i) The Company engaged an external professional service firm, CLA Global TS Risk Advisory Pte Ltd ("**CLA Global TS**"), to perform internal audit review and test of controls of critical processes, based on the internal audit plan which is approved by the AC before the commencement of work each year.

(ii) CLA Global TS has unfettered access to all the Group's documents, records, properties and personnel, and have unrestricted access to the AC.

(iii) The AC reviewed the scope of internal audit work and the key audit procedures, including any findings from each review and the Management's responses thereto; and ensured the adequacy of the internal audit function annually. The internal audit work carried out by CLA Global TS is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) which is laid down in the International Professional Practices Framework issued by the IIA.

The internal audit is planned independently in consultation with the AC. The AC oversees the activities and work performed by the internal auditors and ensures that the internal audit plans are aligned with the Group's risk management programme. This is intended to assure that effective and efficient controls are in place to manage the risks in the Group.

The Company and AC are satisfied that the internal audit function is carried out independently and effectively, and is adequately resourced.

**Independent Committee**

(i) To strengthen its internal controls that safeguard the interests of the Company and its shareholders, the IC was formed in 2021 to review and approve the IPTs in accordance with the Group's IPT review and approval procedures following the disposal of the M&S business. The IC shall review all IPTs at least on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined in its terms of reference.

(ii) The IC consists of the members of the AC and Mr Wang Dao Fu, an Independent Non-Executive Director.

(iii) The key terms of reference of the IC include the following:

(a) The IC shall consist of the members of the AC and such other member as may be appointed from the Board from time to time, all of whom shall be Non-Executive Directors with the majority being Independent Non-Executive Directors. At least two (2) members of the IC shall have accounting or related financial management expertise or experience.

(b) The Board shall appoint a new member within three (3) months of cessation so that the number of members does not fall below four (4).

(iv) The IC performs, *inter alia*, the following key functions in accordance with its terms of reference and in compliance with the Group's IPT review and approval procedures and the Listing Rules:

(a) review and approve IPTs in relation to the entry into engineering, procurement and construction ("**EPC**") contracts that relate to the provision of EPC contracting services according to the characteristics of the GI projects or the requirements of the owners ("**EPC Contracts**") with the Interested Persons. EPC Contracts include different contracting services such as EPC general contracting, EP general contracting, PC general contracting or P procurement based on the different stages of the GI projects. The EPC Contracts may involve services such as technical renovation of the steam production process systems and the plants, maintenance and repair or capacity expansion of the GI projects in operation. The general contractors shall perform the general contracting for the whole process or some stages such as design, procurement and construction, and shall be fully responsible for the quality, safety, duration and cost of the GI projects. Procurement refers to an enterprise business activity to obtain products or services under certain conditions from the supply market as resources to ensure its normal production and business activities, and to collect and procure equipment and materials needed for various projects. The Group may procure equipment and materials such as pressure vessels, heat exchangers, etc. to meet the production requirements of GI projects in operation. Such review and approval by the IC will be undertaken following the review and approval of the Chief Financial Officer of the Group ("**Group CFO**") and the General Manager ("**GM**") of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) and upon the relevant transaction value thresholds being met;

(b) review and approve IPTs in relation to the lease of office buildings and/or facilities from the Interested Persons, following the review and approval of the Group CFO and the Head of Internal Control of the Group;

(c) review and approve IPTs in relation to contracts that relate to the provision of design and consulting services for the technical transformation, optimisation, upgrading and expansion of certain of the Group's operating facilities to improve safety and stability, implement energy-saving measures and reduce consumption at the operational facilities ("**Occasional Design Consulting Services Contracts**"), following the review and approval of the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) and upon the relevant transaction value thresholds being met;

(d) review all IPTs at least on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined in the Group's IPT review and approval procedures. All relevant non-quantitative factors will also be taken into account. In addition, the IC shall from time to time look into the aggregate value of IPT contracts signed with Sunpower Technology (Jiangsu) Co., Ltd. (中圣科技（江苏）有限公司) and its subsidiaries (the "**M&S Group**") on whether it has reached 3.0% of the Group's market capitalisation as at the previous financial year end; and

(e) review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Group and the Interested Persons are conducted at arm's length and on normal commercial terms.

**Interested Person Transactions**
(Rule 907 of the Listing Rules)

The Group expanded into the GI business in 2015 and obtained the first tranche of investments of US$110 million and the second tranche of investments of US$70 million (of which US$20 million was drawn down) in CBs in 2017 and 2018, respectively. The volume of IPTs that the Group was engaged in was high in prior years (following the M&S business disposal) because the rapid growth of the Group's investments in GI projects and their construction, with the CB Performance Target that was applicable then, led to a high number of transactions with the M&S group of entities which were previously subsidiaries of the Group prior to their disposal in 2021.

Having reached the critical scale of a total of 11 projects in operation, the Group has now completed the rapid expansion phase, and its future capital expenditure plans will focus on the enhancement and maintenance of existing projects, as oposed to constructing new projects. Accordingly, this is expected to much lower the amount of IPTs to a level where it is not expected to exceed the relevant IPT thresholds that will require shareholders' approval. Following a thorough assessment of the value of IPTs the Group will be engaged in, it was concluded that the value of the prospective IPTs in the coming years will be lower than before. After carefully considering all the relevant factors, the Company did not renew the general mandate from shareholders for IPTs after 28 April 2023.

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC or the IC (as the case may be, depending on whether the IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

As Mr Guo and Mr Ma Ming are both interested persons, any transaction by the Company or any of its subsidiaries with Mr Guo, Mr Ma Ming or any of their respective associates ("**Interested Persons**") will be regarded as an IPT under Chapter 9 of the Listing Rules following the disposal of the M&S business which was completed on 30 April 2021.

To ensure that transactions with Interested Persons are undertaken at (a) arm's length and on normal commercial terms consistent with the Group's usual business practices and on terms which are not more favourable than those extended to unrelated third parties; or (b) in any event, on terms no less favourable to the Group than prevailing open market rates, and will not be prejudicial to the interests of the Group and its minority shareholders, the Group adopted the following procedures for the review and approval of IPTs.

(a) The following procedures have been adopted in relation to the entry into EPC Contracts with Interested Persons:

    (i) The entry into EPC Contracts will be determined by way of a tender process, whereby the Company will obtain quotations from no less than three (3) bidders, with at least two (2) unrelated third parties. In general, the Group will only enter into contracts for the purchase of products or the provision of services under the EPC Contract from the Interested Persons upon satisfactory review and approval by the relevant persons as set out in paragraphs (a)(iii) and (iv) that the rates or prices from the Interested Persons are not higher than the most competitive quote provided by other third party bidders for manufacturing and services products of similar specifications or for comparable services, after obtaining competing quotes from at least two (2) unrelated third party bidders, and taking into account factors such as the technologies and technical specifications, scope of services and track record, warranty period, experience and expertise and any other relevant factors.

    (ii) In the event that such competing quotes from unrelated third party bidders cannot be obtained through the tender process (for instance, if there are no unrelated third party suppliers of similar products or services, or if the product is a proprietary item), the Group will obtain two (2) recent contracts (wherever possible or available) entered into between the Interested Persons and the unrelated third party customers of such Interested Persons for the same or substantially similar products and/or services, prior to the entry into of the contract or transaction with the Interested Persons, as a basis for comparison to determine whether the prices and terms offered by the Interested Persons are fair and reasonable, and comparable to those offered by the Interested Person to their unrelated third party customers. In general, the Group will only enter into the EPC Contract with the Interested Persons upon satisfactory review by the relevant persons as set out in paragraphs (a)(iii) and (iv) on whether the prices and terms offered by the relevant Interested Persons are fair and reasonable and in accordance with the Group's usual business practices and pricing policies or industry norms, with factors such as the technologies and technical specifications, scope of services and track record, warranty period, experience and expertise, historical rates or prices paid by the Group for such products and/or services, credit terms and any other relevant factors taken into account.

(iii) Each of the EPC Contracts with a value less than RMB5 million shall be subject to review by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), jointly, who must each not have any interest, direct or indirect, in the transaction, in accordance with the review procedures as set out in paragraphs (a)(i) and (ii) above.

(iv) For each EPC Contract with a value equal to or more than RMB5 million, upon satisfactory review by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), jointly, who must each not have any interest, direct or indirect, in the transaction, the entry into such Transactions will be subject to prior approval by a simple majority of the IC, who must each not have any interest, direct or indirect, in the transaction, in each case in accordance with the review procedures as set out in paragraphs (a)(i) and (ii) above.

(b) The following procedures have been adopted in relation to the lease of office buildings and/or facilities from Interested Persons:

(i) The rent payable by the Group to the Interested Persons shall be at an annual rent no higher than the prevailing market rent as supported by an independent report issued by an independent firm with the relevant track record or experience, no more than two (2) months prior to the lease and/or the renewal of the lease, with cost of such report to be borne by the Group. The Company may engage independent firms such as GW Financial Advisory Services Ltd. (盛德财务咨询服务有限公司), a Hong Kong-based specialist transaction and valuation advisory firm, or other suitably qualified independent professional firm for the purposes of the foregoing. The IC will review and approve such appointment to ensure that the independent firm engaged will be an accredited value under prevailing laws and regulations in the PRC, if any.

(ii) Each lease shall be reviewed by (1) the Group CFO and (2) the Head of Internal Control of the Group, jointly, who must each not have any interest, direct or indirect, in the transaction. Upon satisfactory review by the relevant persons in accordance with the procedures above, the entry into such leases will be subject to prior approval by a simple majority of the IC, who must each not have any interest, direct or indirect, in the transaction.

(iii) In general, the Group will only enter into the leases if the relevant persons reviewing the transaction as set out in paragraph (b)(ii) above (who must each have no interest, direct or indirect in the transaction) are satisfied that the rent payable is in line with or better than prevailing market rental rates for comparable properties, taking into account factors such as the geographical location, facilities and other relevant factors that may affect rental rates or terms of the lease.

(c) The following procedures have been adopted in relation to the entry into Occasional Design Consulting Services Contracts with Interested Persons:

(i) The Occasional Design Consulting Services Contracts will be subject to a Framework Agreement between Jiangsu Sunpower Clean Energy Co., Ltd (江苏中圣清洁能源有限公司) and Shandong Yangguang Institute, an Interested Person. The Framework Agreement shall be subject to review by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), jointly (who must each not have any interest, direct or indirect, in the transaction). Upon satisfactory review by the relevant persons in accordance with the procedures as set out in paragraphs (c)(ii) and (iii), the entry into such Framework Agreement will be subject to prior approval by a simple majority of the IC, who must each not have any interest, direct or indirect, in the transaction.

(ii) The Framework Agreement shall specify (1) the type of design consulting service to be carried out; (2) the basis of computation for the fees; and (3) the pricing mechanism, which shall be based on the "Engineering Design Fee Standard" (工程设计收费标准) in "[2002] No. 10 Regulations on the Administration of Engineering Investigation and Design Fees" ([2002]10号文《工程勘察设计收费管理规定》) (the "**Regulation**") originally issued by the State Development Planning Commission of the People's Republic of China (中华人民共和国国家计划委员会) and the Ministry of Construction of the People's Republic of China (中华人民共和国建设部), which has been renamed as the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中华人民共和国住房和城乡建设部).

The Regulation, along with the "Engineering Design Fee Standard" (工程设计收费标准) and the "Engineering Survey Fee Standard" (工程勘察收费标准), are applicable to the engineering design fees and engineering survey fees charged in relation to construction projects within the People's Republic of China. Engineering design fees refer to the fees charged by the design company for the preparation of preliminary design documents, construction drawing design documents, non-standard equipment design documents, construction drawing budget documents, as-built drawing documents and other services as entrusted to them by the client. If there are any new standards or changes to the "Engineering Design Fee Standard" (工程设计收费标准), the Company will adjust its pricing mechanism accordingly.

(iii) The entry into the Framework Agreement will be determined by way of a tender process, whereby the Company will obtain quotations from no less than three (3) bidders, with at least two (2) unrelated third-party bidders, all of whom must meet the qualification requirements. The qualitative criteria considered in the bidding process primarily include each bidder's qualification level, amount of registered capital, financial position, bank credit rating, performance track record and quality system certification documents. The tender will be awarded to the bidder that provides the highest discount to the "Engineering Design Fee Standard" (工程设计收费标准). In general, the Group will only enter into the Framework Agreement with Shandong Yangguang Institute if the Chief Financial Officer of the Group and the General Manager of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), an entity within the Group (who must each have no interest, direct or indirect in the transaction), are satisfied that the rates or prices and terms offered from Shandong Yangguang Institute are in accordance with the "Engineering Design Fee Standard" (工程设计收费标准) and that its tendered discount is the most attractive among the bids received.

(iv) Under the Framework Agreement, each individual Occasional Design Consulting Services Contract with a value of less than RMB1 million, and where the annual cumulative value of such Occasional Design Consulting Services Contracts is less than RMB5 million, shall be subject to review by the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), who must not have any interest, direct or indirect, in the transaction. Upon satisfactory review by the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) in accordance with the procedures set out above, the entry into such transactions will be subject to prior approval by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), jointly, who must each not have any interest, direct or indirect, in the transaction.

(v) Each individual Occasional Design Consulting Services Contract with a value equal to or exceeding RMB1 million, or where the annual cumulative value of such Occasional Design Consulting Services Contracts is equal to or exceeds RMB5 million, shall be subject to review by (1) the Group CFO and (2) the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), jointly, who must each not have any interest, direct or indirect, in the transaction. Upon satisfactory review by the relevant persons in accordance with the procedures above, the entry into such transactions will be subject to prior approval by a simple majority of the IC, who must each not have any interest, direct or indirect, in the transaction.

(d) In respect of certain transactions relating to the receipt of meal catering services in staff canteen[1] from Interested Persons, the following two-tiered approval process will be adopted:

(i) if the cumulative fees are equal to or below RMB1 million, the Board has authorised the management of the Company, specifically the Group CFO, to approve the transactions following the initiation of the process by the relevant Entity at Risk (as defined in the Listing Rules) and subsequent reviews and approvals by administrative and internal control personnel at the Group level; and

(ii) if the cumulative fees are above RMB1 million, such transactions will be subject to the review and prior approval by a simple majority of the AC, in addition to the management-level reviews and approvals outlined in (d)(i).

(e) In the event that a member of the IC has an interest in a transaction with an Interested Person, or is a nominee for the time being of the Interested Person, or if he also serves as an independent non-executive director on the board of directors or (as the case may be) an audit or other board committee of the Interested Person, and he participates in the review and approval process of the IC in relation to a transaction with that Interested Person, or if any associate (as defined in the Listing Rules) of a member of the IC is involved in the decision-making process on the part of the Interested Person, he shall abstain from participating in the review and approval process of the IC in relation to that transaction.

(f) In the event that the Group CFO, the GM and/or the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有 限公司) and/or the Head of Internal Control of the Group has an interest in a transaction with an Interested Person, or is a nominee for the time being of that Interested Person, such person shall abstain from participating in the review and approval process in relation to that transaction and the Company shall, subject to the approval of the IC, recommend another officer of the Group of an equivalent rank (who must not have any interest, direct or indirect, in the transaction) to review and/or approve the transaction (as the case may be).

(g) In addition to the review procedures set out above, all interested person transactions, including transactions between the Interested Persons and the Group, shall be subject to the relevant provisions of Chapter 9 of the Listing Rules. In particular, if such transactions are of an aggregate value equal to or more than 3.0% of the Group's latest audited net tangible assets ("**NTA**") (or the Company's market capitalisation as at the previous financial year end, until such time as the Group's audited NTA turns positive[2]), such transactions will be announced immediately. If such transactions are of an aggregate value equal to or more than 5.0% of the Group's latest audited NTA (or the Company's market capitalisation as at the previous financial year end, until such time as the Group's audited NTA turns positive), such transactions will be subject to Shareholders' approval before they can be entered into.

In addition to the guidelines and review procedures set out above, the Group has implemented the following additional guidelines and review procedures to ensure that the IPTs are undertaken on arm's length basis and on normal commercial terms:

(a) A register is maintained to record the list of interested persons and their associates (which is to be updated immediately if there are any changes) to enable identification of interested persons. The list of interested persons shall be reviewed on a quarterly basis by the Group CFO and subject to such verifications or declarations as required by the IC for such period as determined by them. This list of interested persons shall be disseminated to any staff of the Group that the Group's finance team considers relevant for the purposes of entering into interested person transactions.

(b) A register is maintained to record all IPTs (including the bases on which the IPTs are entered into, amount and nature) (the "**IPT Register**") by the Group's finance department, which shall be reviewed by the Group CFO on a monthly basis.

1 For the avoidance of doubt, the receipt of meal catering services from Interested Persons is not related to the core business of the Group.

2 The SGX-ST had on 27 December 2019 informed the Company that it has no objections to the Company's use of the market capitalisation as at the previous financial year end, instead of its latest audited NTA, as the basis for computing the materiality thresholds under Rules 905 and 906 of the Listing Rules, until such time as its audited NTA turns positive.

(c) The IC shall review all IPTs at least on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. In addition, the IC shall from time to time look into the aggregate value of IPT contracts signed with Sunpower Technology (Jiangsu) Co., Ltd. (中圣科技（江苏）有限公司) and its subsidiaries (the "**M&S Group**") on whether it reaches 3.0% of the Group's market capitalisation as at the previous financial year end. According to Rule 905 of the Listing Rules, the Group must make an immediate announcement of the IPTs and all future transactions with the M&S Group during that financial year, if the aggregate value of all transactions entered into with the M&S Group during the same financial year amounts to 3.0% or more of the Group's market capitalisation as at the previous financial year.

Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the IC. The IC shall, when it deems fit, request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers, and/or require the appointment of an independent professional firm (the appointment of which shall be approved by the IC) to provide additional review of the internal control procedures and review procedures and their implementation pertaining to interested person transactions under review and to report to the IC on a quarterly basis.

(d) The IC shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Group and the interested persons are conducted at arm's length and on normal commercial terms. If during any of the reviews by the IC, the IC is of the view that the internal control procedures and review procedures for IPTs have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of the Group or the Interested Persons are conducted, it will, in consultation with the Board, take such actions as it deems proper in respect of such procedures and guidelines and/or modify or implement such procedures and guidelines as may be necessary to ensure that the IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All IPTs will be entered into in accordance with the requirements under Chapter 9 of the Listing Rules (including the requirements under Rule 905 and Rule 906 of the Listing Rules).

(e) The Board will ensure that all disclosure, approval and other requirements on IPTs, including those required by prevailing legislation, the Listing Rules (in particular, Chapter 9 thereof) and relevant accounting standards, are complied with. The Company will also endeavour to comply with the recommendations set out in the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (as amended, modified or supplemented from time to time).

(f) The IC shall oversee the IPTs from time to time. The internal auditor shall be engaged to review the IPTs to ensure that, amongst other things, the relevant approvals have been obtained and the guidelines and review procedures for the relevant IPTs have been adhered to, when the aggregate value of the IPT contracts which are approved and signed in the same financial year reaches or exceeds 3.0% of the Group's latest audited NTA (or the Company's market capitalisation as at the previous financial year end, until such time as the Group's audited NTA turns positive); or when the aggregate value of the IPT contracts which are approved and signed in the same financial year reaches or exceeds RMB15 million. The internal auditors will report their findings to the IC.

Other than that, the IC may require the engagement of internal auditors to review the IPTs at their discretion, when necessary.

As disclosed above, the Company's IPT general mandate expired on 28 April 2023. After carefully considering all the relevant factors, including the current status of the 11 projects in operation, the Company did not renew the general mandate from shareholders for IPTs after 28 April 2023. The aggregate value of transactions entered into by the Group with Interested Persons for FY2023 are as follows[3]:

3 In its announcement of unaudited financial statements for the full year ended 31 December 2023, the Company also made voluntary disclosure of non-IPTs which comprise contracts entered with the M&S Group that were signed prior to 30 April 2021 (the completion date of the disposal of the M&S). For details, please refer to the Company's announcement of unaudited financial statements released on SGXNet on 29 February 2024.

| NAME OF INTERESTED PERSON | NATURE OF RELATIONSHIP | AGGREGATE VALUE OF ALL IPTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023 (EXCLUDING TRANSACTIONS LESS THAN $100,000 AND TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920) (i)<br>RMB'000 | AGGREGATE VALUE OF ALL IPTS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023 (EXCLUDING TRANSACTIONS LESS THAN $100,000) (ii)<br>RMB'000 |
|---|---|---|---|
| Jiangsu Sunpower Technology Co., Ltd. | | | |
| • Lease of office buildings | Associate of controlling shareholders | – | 1,895 |
| Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd. (iii) | | | |
| • Construction fee paid for EPC Contract Industrial Steam Pipeline Project | Associate of controlling shareholders | – | 3,573 |
| • Construction fee paid for Pipeline and Condensation Recovery Project | Associate of controlling shareholders | – | 1,540 |
| Subsidiaries of the M&S Group include the following:<br>- Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd. (Jiangning branch);<br>- Sunpower Technology (Jiangsu) Co., Ltd.;<br>- Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.;<br>- Jiangsu Sunpower Technology Co., Ltd.; and<br>- Nanjing Shengnuo Heat Pipe Co., Ltd. | | | |
| • Fee received for providing catering services in staff canteen | Associate of controlling shareholders | 4,466 | – |

Notes:

(i) The transactions listed in this column pertain to transactions that are non-mandated.

(ii) The transactions listed in this column pertain to transactions performed under agreements that were entered into during the period in which the Company's IPT general mandate was in force, which was first adopted on 16 April 2021 and renewed on 27 May 2022 before it expired on 28 April 2023. By the nature of certain of these contracts, certain transactions may only accrue upon the satisfaction of certain milestones. Accordingly, such IPTs as approved under the prior IPT general mandate are presented as and when they are accrued.

(iii) On 26 July 2022, Jiangsu Sunpower Pipe-line Engineering Technology Co., Ltd. (the "**pipeline company**") has been disposed by Sunpower Technology (Jiangsu) Co., Ltd. to unrelated third parties, which are not interested persons of the Group. As a result, transactions entered between the Group and the pipeline company on and from 26 July 2022 are no longer interested person transactions within the meaning of Chapter 9 of the Listing Manual. By the nature of certain of these contracts, certain transactions may only accrue upon the satisfaction of certain milestones. Accordingly, such IPTs as approved under the prior IPT general mandate are presented as and when they are accrued.

The Board is of the view that the transactions above were not prejudicial to the interest of the Group or the Company's minority shareholders.

## 4 SHAREHOLDER RIGHTS AND ENGAGEMENT

*Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

(i) The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's and Group's performance, position and prospects on a quarterly basis. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNet, press releases and the Company's website. The Management presents the quarterly financial results announcement to the AC for review and after the review, the AC recommends the financial results announcement to the Board for approval before being released. If required, the Group's external auditors' views will be sought. The Board ensures that all relevant regulatory compliance requirements and updates will be highlighted from time to time to ensure adequate compliance with the regulatory requirements. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.

(ii) The Board reviews operational and regulatory compliance reports from the Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

(iii) In line with the Listing Rules, the Board provides an assurance statement to the shareholders in respect of the interim financial statements. The Management maintains regular contact and communication with the Board through various means, including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

(iv) At AGMs, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. The Board supports the Code's principle to encourage shareholder participation. The Bye-Laws allow a shareholder of the Company to appoint one (1) or two (2) proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders via the internet is not compromised.

(v) The members of the AC, NC and RC will be present at the AGM to address queries relating to the work of these committees. The Company's auditors are also invited to attend the AGM.

(vi) All resolutions tabled at the general meetings are voted by poll for which the procedures are clearly explained. The voting results of each resolutions tabled are announced at the meeting and in an announcement released after the meeting to the SGX-ST via SGXNet.

(vii) The resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are in single item resolutions.

(viii) The Company Secretaries prepare minutes of general meetings that include comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management, and are made available to shareholders upon their request.

(ix) The Company has not implemented electronic voting with a voting device at general meetings following a cost/ benefit review but will consider implementing it in future if electronic voting benefits outweigh the costs.

(x) The attendance of each Director at general meetings held in FY2023 is set out as follows:

| | AGM (28 APRIL 2023) | SPECIAL GENERAL MEETING (28 APRIL 2023) | SPECIAL GENERAL MEETING (28 JULY 2023) |
|---|---|---|---|
| | Attended | Attended | Attended |
| Guo Hong Xin | √ | √ | √ |
| Ma Ming | √ | √ | √ |
| Lau Ping Sum Pearce | √ | √ | √ |
| Chin Sek Peng | √ | √ | √ |
| Li Lei | √ | √ | – |
| Yang Zheng | √ | √ | √ |
| Wang Dao Fu | √ | √ | √ |
| Wang Guannan | √ | √ | – |

(xi) The Company treats shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company releases resolutions passed at shareholders' meetings through SGXNet together with the breakdown of all valid votes cast at the meeting as soon as practicable. The Company shall disclose or publish the minutes of general meetings of shareholders on its corporate website.

(xii) The Group does not have a fixed dividend policy at present. With the exception of the financial year ended 31 December 2022, the Company has distributed dividends every year since the financial year ended 31 December 2010.

*Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.*

(i) The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the Listing Rules.

(ii) Information is communicated to shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders within the mandatory period;
- public announcements via SGXNet system, the press and research analysts;
- notices of annual general meetings; and
- the Company's corporate website http://www.sunpowergroup.com.cn and investor relations website http://sunpower.listedcompany.com which shareholders can use to access information on the Group.

(iii) The Board will support and encourage active shareholders' participation at AGMs as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them.

(iv) General meetings have been and are still the principal forum for dialogue with the shareholders. They offer opportunities for the Board to interact with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.

(v) The Company has an investor relation team and the contact has been provided in the investor relations website. Stakeholders can provide feedback to the Company via the electronic mail address, the business address or calls.

(vi) The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests.

(vii) The Group does not practise selective disclosure. The Company makes every effort to ensure that shareholders have easy access to clear, meaningful and timely information on the Company in order to make informed investment decisions. All material information and presentation slides (if any) would be released via SGXNet on a timely basis.

## 5 MANAGING STAKEHOLDER RELATIONSHIPS

*Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.*

(i) The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups and discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period in its Sustainability Report that is released separately from its Annual Report.

(ii) The Company has its own corporate website and updates it on a timely basis to communicate and engage with stakeholders. In addition, the Company has established diverse communication channels to proactively communicate and engage with its stakeholders as introduced in the Company's Sustainability Report. For further details, please refer to the Company's Sustainability Report.

## 6 DEALINGS IN SECURITIES

(Rule 1207 (19) of the Listing Rules)

Directors and officers of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of the financial year and one (1) month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results.

The Company has complied with the SGX-ST's rules on best practices on dealings in the Company's securities in FY2023.

## 7 MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Rules)

Save for the service agreements between the Executive Director, Non-Executive Chairman and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting at the end of FY2023.

## 8 USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 3 March 2017, the Company completed the issuance of first tranche convertible bonds of an aggregate principal amount of US$110 million ("**Tranche 1 Convertible Bonds**" or "**CB1s**"), which are convertible into fully paid ordinary shares in the capital of the Company to Glory Sky Vision Limited ("**Glory Sky**"), ultimately indirectly and beneficially owned by CDH Fund V, L.P. ("**CDH**").

On 10 January 2018, Glory Sky transferred US$60 million in principal amount of CB1s to three (3) distinct entities of DCP Capital Partners L.P. ("**DCP**"). As a result of the transfer, Glory Sky now holds US$50 million of CB1, while Blue Starry Energy Limited ("**Blue Starry**"), Green Hawaii Air Limited and Alpha Keen Limited (each a wholly-owned subsidiary of DCP) each holds US$46,000,815, US$2,999,185 and US$11,000,000 of CB1 respectively, or US$60 million collectively.

On 6 September 2018, the Company obtained shareholders' approval for the issuance of a second tranche of convertible bonds of an aggregate principal amount of US$70 million ("**Tranche 2 Convertible Bonds**" or "**CB2**") and warrants exercisable at an aggregate amount of US$30 million (the "**Warrants**" or the "**Warrant Shares**") to DCP and CDH (each an "**Investor**" and collectively, the "**Investors**") to fund the GI related business of the Company. Subsequently, the Company completed the issuance of CB2 with an aggregate principal amount of US$20 million on 15 October 2018 and completed the issuance of 57,625,714 Warrants on 21 December 2018. As at 31 December 2020, all the Warrants expired unexercised, and all 57,625,714 Warrants have lapsed and ceased to be valid for any purpose.

On 31 December 2020, the Company and the Investors entered into an amendment agreement (the "**2020 Amendment Agreement**") to amend certain terms of the purchase agreements of the CB1s and CB2s. The Amendment Agreement confirms that the aggregate principal amount of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds issued as at the date of the Amendment Agreement is US$130 million, and extended the maturity date of the CBs by one (1) year to 3 March 2023.

On 24 March 2023, the Company and the Investors entered into an amendment agreement (the "**2023 Amendment Agreement**") to amend the relevant terms of the Convertible Bond Purchase Agreement and the CB Terms and Conditions (the "**Amendments**"). Pursuant to the 2023 Amendment Agreement, the Company and the Bondholders have, inter alia, mutually agreed to extend the maturity date of the Convertible Bonds to the later of (i) 3 April 2025; or (ii) if so elected by the Bondholders, the date that is the 15th Business Day after the date on which the Company's audited financial statements for 2024 are issued, as well as to make other Amendments, which are introduced to take into account, inter alia, the two-year postponement in the Bondholders' right of redemption upon maturity, the various significant events and the financial performance of the Company. On 28 July 2023, the 2023 Amendment Agreement was approved by shareholders at a Special General Meeting.

The net proceeds raised from CB1 is approximately US$106.2 million after deducting transaction expenses of US$3.8 million, while expected net proceeds from the issuance of CB2 will be approximately US$67.6 million following the full issuance of CB2 to the investors, after deducting transaction expenses of approximately US$2.4 million.

The net proceeds have been utilised for the expansion and further investment into GI business, including by way of BOT/BOO/TOT models of centralised steam and electricity projects and other environmental protection related projects.

As of 31 January 2024, the Company has utilised an aggregate of US$123.8 million of the net proceeds from CBs as per the schedule below.

| PROJECT | USE OF CONVERTIBLE BONDS PROCEEDS | AMOUNT |
|---|---|---|
| Shantou | Project construction and equipment procurement | US$ 20.4 million (approximately RMB132.6 million) |
| Liutuan | Registered capital | US$ 0.8 million (approximately RMB5.2 million) |
| Jining JVC | Installation of steam distribution pipeline | US$ 1.6 million (approximately RMB10.3 million) |
| Xinjiang | Registered capital | US$ 1.4 million (approximately RMB9.0 million) |
| Yingtan(1) | Registered capital | US$ 0.1 million (approximately RMB0.5 million) |
| Shandong Yangguang Institute | Purchase consideration of the acquisition | US$ 4.3 million (approximately RMB28.0 million) |
| Xinyuan Thermal Power | Purchase consideration of the acquisition | US$ 13.1 million (approximately RMB85.0 million) |
| Xintai Zhengda Thermoelectric | Purchase consideration of the acquisition and construction of new facilities | US$ 22.0 million (approximately RMB145.0 million) |
| Yongxing Thermal Power | Purchase consideration of the acquisition | US$ 50.2 million (approximately RMB325.5 million) |
| General | Administrative and general expenses for business expansion of Green Investment related business | US$ 9.9 million (approximately RMB64.6 million)(2) |
| **Total Convertible Bonds Proceeds utilised** | | **US$ 123.8 million (approximately RMB805.7 million)** |

*** Note:**

(1) Yingtan Sunpower Clean Energy Co., Ltd. was cancelled after the comprehensive evaluation of the Company.

(2) It consists of (a) RMB42.7 million of remuneration for the development and management teams of GI; (b) RMB20.3 million of pre-development expenses of GI projects, such as costs expended for pre-investment due diligence activities, including project inspection, valuation and audit fees, communication costs and travel expenses etc; (c) RMB1.5 million of purchase of fixed assets for development teams of GI business; (d) RMB0.1 million of stamp duties for applicable GI transactions.

(3) The exchange rate is based on the actual settlement conditions.

Each of the above utilisation of the proceeds from the Convertible Bonds is consistent with the intended use as disclosed in the Company's circular to shareholders dated 13 February 2017 and 21 August 2018.

## 9 USE OF PROCEEDS FROM M&S DISPOSAL

The Company announced the proposed disposal of the M&S business on 31 December 2020. On 16 April 2021, the proposed disposal was approved by shareholders of the Company at a Special General Meeting.

On 21 May 2021 and 2 July 2021, the Company announced that it has received the Tranche 1 and Tranche 2 Consideration of RMB 1,603.0 million and RMB 687.0 million respectively, for an aggregate amount of RMB 2,290.0 million. After accounting for the expenses incurred by the Company in connection with the disposal, including capital gains tax and stamp duties, of RMB 208.9 million and project adviser fees of RMB 56.7 million, the net proceeds from the proposed disposal of the M&S were RMB 2,024.4 million.

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the circular to shareholders dated 3 May 2021.

| AS OF 31 JANUARY 2024 | USE OF PROCEEDS (RMB'000) |
|---|---|
| Proposed Special Dividend | (925,144)[1] |
| Bondholder's Special Dividend | (403,316)[1][2] |
| Capital expenditure on existing projects | (501,465) |
| Feedstock procurement for operation | (79,943) |
| Construction costs due | (114,585) |
| **Subtotal of net disposal proceeds used** | **(2,024,453)** |
| **Use of proceeds balance** | **Nil** |

**Note:**

(1) On 18 June 2021 and 21 July 2021, a Special Dividend of RMB 925.1 million and RMB 403.3 million was paid to the shareholders and bondholders of the Company respectively.

(2) Based on the actual exchange rate utilised by the Company to exchange RMB into USD.

# FINANCIAL CONTENTS

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of Sunpower Group Ltd. (the "Company") and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2023.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 64 to 143 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at December 31, 2023, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Guo Hong Xin
Ma Ming
Lau Ping Sum Pearce
Chin Sek Peng
Li Lei
Yang Zheng
Wang Dao Fu
Wang Guannan

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' statement.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act 1967 except as follows:

| NAME OF DIRECTORS AND COMPANY IN WHICH INTERESTS ARE HELD | AT JANUARY 1, 2023 | AT DECEMBER 31, 2023 | AT JANUARY 21, 2024 |
|---|---|---|---|
| Interest in Sunpower Group Ltd. | | | |
| *Ordinary shares* | | | |
| Guo Hong Xin (deemed interest) | 153,638,554 | 153,638,554 | 153,638,554 |
| Ma Ming (deemed interest) | 137,509,737 | 137,509,737 | 137,509,737 |

By virtue of section 7 of the Companies Act 1967, the directors are deemed to have an interest in all the related corporations of the company.

## 4 SHARE OPTIONS

(a) **Options to take up unissued shares**

The Sunpower Employee Share Option Scheme 2015 (the "2015 ESOS") is administered by the Remuneration Committee which comprises:

Lau Ping Sum Pearce (Chairman)
Chin Sek Peng
Li Lei
Wang Daofu
Wang Guannan

Subject to the absolute discretion of the Remuneration Committee, Controlling Shareholders and their Associates (as defined in the circular to the shareholders dated April 6, 2015) are eligible to participate in the 2015 ESOS, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of independent shareholders in a general meeting by a separate resolution as provided for in the circular to shareholders.

(b) **Unissued shares under option and options exercised**

The aggregate number of shares for which options can be granted under the 2015 ESOS is subject to the maximum limit of 15% of the Company's total number of issued shares (excluding treasury shares) for the entire ten-year duration of the 2015 ESOS. Grants to Controlling Shareholders and their Associates shall not exceed 25% of the shares available under the 2015 ESOS. In addition, grants to each Controlling Shareholder or his Associate shall not exceed 10% of the shares available under the 2015 ESOS.

A total of 59,220,000 shares options were granted on May 19, 2015 under the 2015 ESOS which was approved by shareholders on April 29, 2015 (the "Initial Grant"). Group Employees, Executive Directors, Non-Executive Directors, Controlling Shareholders and their Associates (all as defined in 2015 ESOS) can participate in the 2015 ESOS.

A total of 44,330,000 options were granted to employees of the Group in FY2015.

An aggregate of 3,710,000 share options from the Initial Grant has lapsed from 2016 to 2020. In 2021, the Company has granted a total of 3,710,000 share options, a number that is equivalent to the lapsed options. No options were granted, lapsed or cancelled during the financial year ended December 31, 2023 (2022 : No options were lapsed or cancelled).

As of December 31, 2023, an aggregate of 58,029,000 options have been exercised, of which 55,319,000 options were exercised at S$0.116, 210,000 options were exercised at S$0.272, 1,420,000 options were exercised at S$0.379, and 1,080,000 options were exercised at S$0.312. The aggregated options outstanding were 1,191,000, of which 1,000,000 with exercise price S$0.308 and 191,000 with exercise price S$0.116 are all exerciseable up to May 19, 2025.

Except as disclosed below:

a. no participant has received 5% or more of the total options available under this scheme; and

b. no options were granted to any of the Company's Controlling Shareholders or their Associates (as defined in the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual).

| NAME OF PARTICIPANT | OPTIONS GRANTED DURING THE FINANCIAL YEAR ('000) | AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF THE SCHEME TO THE END OF FINANCIAL YEAR ('000) | AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF THE SCHEME TO THE END OF FINANCIAL YEAR ('000) | AGGREGATE OPTIONS LAPSED SINCE COMMENCEMENT OF THE SCHEME TO THE END OF FINANCIAL YEAR ('000) | AGGREGATE OPTIONS OUTSTANDING AS AT THE END OF FINANCIAL YEAR ('000) |
|---|---|---|---|---|---|
| Guo Hong Xin (Director) | – | 5,922 | (5,922) | – | – |
| Ma Ming (Director) | – | 8,968 | (8,968) | – | – |
| Gu Quan Jun[1] (Employee) | – | 3,000 | (2,000) | – | 1,000 |

(1) Gu Quan Jun resigned from his position on April 26, 2021.

## 5 AUDIT COMMITTEE

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to the Audit Committee.

The Audit Committee of the Company is chaired by Chin Sek Peng, and include Lau Ping Sum Pearce and Yang Zheng. All the members of the Audit Committee are independent directors of the Company.

The Audit Committee has met four times since the last Annual General Meeting ('AGM') and has reviewed the following, where relevant, with the executive director and external and internal auditors of the Company:

a. The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b. The Group's financial and operating results and accounting policies;

c. The audit plans of the external auditors;

d. The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

e. The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

f. The co-operation and assistance given by management to the Group's external auditors; and

g. The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditor of the Group at the forthcoming AGM of the Company.

## 6 AUDITOR

The auditor, Deloitte & Touche LLP, has expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

....................................................
Guo Hong Xin

....................................................
Ma Ming

March 25, 2024

# INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SUNPOWER GROUP LTD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Sunpower Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 64 to 143.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the of the Companies Act 1967 (the 'Act') and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the statement of changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Revenue, cost and intangible assets arising from Build-Operate-Transfer ("BOT") projects**<br>(Refer to Notes 3.2(a), 16 and 27 to the financial statements)<br><br>The Group has BOT projects which involve expenditure of costs during the construction phase to be recovered from operating the facilities and selling steam and electricity in future.<br><br>The Group recognises revenue in accordance with SFRS(I) 15 *Revenue from Contracts* with Customers, namely revenue is recognised when (or as) the performance obligations are satisfied. Intangible assets arising from costs incurred during the construction phase which are projected to be recoverable during the operating period are recognised in accordance with SFRS(I) INT 12 *Service Concession Arrangements*.<br><br>Significant estimates and judgement include the following:<br><br>• Projection of total revenue which can be billed to end users during the operating period.<br>• Evaluation of estimated profit margins for each of the construction and operating phases.<br>• Allocation of revenue between the construction and service elements of the project.<br>• Recoverable amount of intangible assets which represent cost recoverable from future operations. | We:<br>• assessed the design and implementation and tested operating effectiveness of internal controls over review of budgets submitted by contractors;<br>• assessed the design and implementation of internal controls over confirmation of percentage of completion;<br>• performed substantive testing, including review of the revenue recognised based on the acknowledged progress reports in order to determine that the revenue is recognised in accordance with the principles of revenue recognition and are supported by signed contracts;<br>• analysed contracts with higher and lower margins to determine the underlying reasons and verified these reasons at the start of construction;<br>• sent confirmation requests to confirm progress of construction contracts using the output method at year end;<br>• used internal specialist to review reasonableness of gross profit margin of BOT projects at the start of construction;<br>• performed test for cut-off of revenue and corresponding matching of cost at year end; and<br>• reviewed credit notes issued throughout the year and subsequent to year end.<br><br>We reviewed the adequacy of disclosures in the financial statements regarding material accounting policies, significant management judgement and accounting estimates in Notes 2 and 3.2(a) to the financial statements respectively. |
| **Repayment of convertible bonds (refer to Notes 1 and 21 to the financial statements)**<br><br>As disclosed in Note 1 to the financial statements, the shareholders approved the extension of the maturity date of the convertible bonds (the "CBs") to April 2025, amongst other amendments at a Special General Meeting on 28 July 2023. The Group is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group's existing operations and financials, and monetising certain Green investments Projects. | We:<br><br>• made enquiry with management with respect to management's plans to redeem the CBs;<br>• reviewed board meeting minutes and directors resolutions;<br>• sighted relevant evidence to support management's plans;<br>• obtained and discussed with management the group's cashflow forecast for the next 12 months from the date of authorisation of the financial statements; and<br>• reviewed the adequacy of disclosures in the financial statements regarding the repayment of the CBs. |

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the annual report and the Directors' Statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Toh Yew Kuan Jeremy.

**Deloitte & Touche LLP**
Public Accountants and
Chartered Accountants
Singapore

March 25, 2024

# STATEMENTS OF FINANCIAL POSITION

December 31, 2023

| | NOTE | GROUP 2023 RMB'000 | GROUP 2022 RMB'000 | COMPANY 2023 RMB'000 | COMPANY 2022 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | 663,090 | 585,268 | 995 | 10,141 |
| Pledged bank deposits | 7 | 84,676 | 128,742 | – | – |
| Trade receivables | 8 | 813,033 | 638,123 | – | – |
| Other receivables, deposits and prepayments | 9 | 249,575 | 349,409 | 427,083 | 294,471 |
| Inventories | 10 | 138,028 | 175,315 | – | – |
| Financial assets at fair value through other comprehensive income | 12 | 36,259 | 50,458 | – | – |
| Total current assets | | 1,984,661 | 1,927,315 | 428,078 | 304,612 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 517,628 | 632,439 | – | – |
| Other receivables, deposits and prepayments | 9 | 50,117 | 44,722 | – | 129,660 |
| Financial assets at fair value through other comprehensive income | 12 | 2,142 | 2,445 | – | – |
| Right-of-use assets | 13 | 230,229 | 237,483 | – | – |
| Subsidiaries | 14 | – | – | 914,379 | 914,379 |
| Associates | 15 | 58,949 | 53,887 | – | – |
| Intangible assets | 16 | 4,335,777 | 4,322,808 | – | – |
| Deferred tax assets | 17 | 34,010 | 31,932 | – | – |
| Goodwill | 18 | 415,582 | 415,582 | – | – |
| Total non-current assets | | 5,644,434 | 5,741,298 | 914,379 | 1,044,039 |
| **Total assets** | | 7,629,095 | 7,668,613 | 1,342,457 | 1,348,651 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables, other payables and contract liabilities | 19 | 712,896 | 1,144,823 | 488,890 | 431,104 |
| Borrowings | 20 | 1,191,484 | 918,485 | – | – |
| Lease liabilities | 22 | 1,235 | 1,646 | – | – |
| Convertible bonds | 21 | - | 892,707 | – | 892,707 |
| Income tax payable | | 25,927 | 6,763 | – | – |
| Total current liabilities | | 1,931,542 | 2,964,424 | 488,890 | 1,323,811 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 17 | 217,460 | 225,666 | – | – |
| Borrowings | 20 | 2,191,842 | 2,424,490 | – | – |
| Convertible bonds | 21 | 973,845 | – | 973,845 | – |
| Lease liabilities | 22 | 1,737 | 4,184 | – | – |
| Total non-current liabilities | | 3,384,884 | 2,654,340 | 973,845 | – |

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

December 31, 2023

| | NOTE | GROUP 2023 RMB'000 | GROUP 2022 RMB'000 | COMPANY 2023 RMB'000 | COMPANY 2022 RMB'000 |
|---|---|---|---|---|---|
| **Capital and reserves** | | | | | |
| Share capital | 23 | 57,662 | 57,662 | 57,662 | 57,662 |
| Share premium | | 313,653 | 313,653 | 313,653 | 313,653 |
| General reserves | 24 | 288,101 | 239,681 | – | – |
| Share option reserve | 25 | 319 | 319 | 319 | 319 |
| Foreign currency translation reserve | | – | – | – | – |
| Revaluation reserve | 26 | (1,834) | (1,706) | – | – |
| Retained earnings (Accumulated losses) | | 1,242,539 | 1,120,715 | (491,912) | (346,794) |
| Equity (Deficit) attributable to equity holders of the Company | | 1,900,440 | 1,730,324 | (120,278) | 24,840 |
| Non-controlling interests | | 412,229 | 319,525 | – | – |
| Total equity (deficit) | | 2,312,669 | 2,049,849 | (120,278) | 24,840 |
| **Total liabilities and equity** | | 7,629,095 | 7,668,613 | 1,342,457 | 1,348,651 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial year ended December 31, 2023

| | NOTE | GROUP | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| **Revenue** | 27 | 3,403,064 | 3,448,606 |
| Cost of sales | | (2,571,506) | (2,935,553) |
| **Gross profit** | | 831,558 | 513,053 |
| Other operating income | 28 | 20,028 | 22,415 |
| Selling and distribution expenses | | (71,106) | (60,352) |
| Administrative expenses | | (124,838) | (92,871) |
| Other operating expenses | 29 | (38,259) | (81,788) |
| Finance costs | 30 | (278,744) | (232,488) |
| Share of profit of associate | 15 | 5,062 | 1,649 |
| Fair value changes on convertible bonds | 21 | – | 150,656 |
| Gain on disposal of subsidiaries | 35 | – | 12,820 |
| **Profit before income tax** | 31 | 343,701 | 233,094 |
| Income tax expense | 32 | (75,219) | (46,298) |
| **Profit for the year** | | 268,482 | 186,796 |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange difference on translation of foreign operation | | – | 190 |
| Net fair value loss on investments in equity instruments designated as at FVTOCI | | (226) | (179) |
| Net fair value gain (loss) on investments in debt instruments classified as at FVTOCI | | 92 | (350) |
| Other comprehensive loss for the year, net of tax | | (134) | (339) |
| **Total comprehensive income for the year** | | 268,348 | 186,457 |
| Profit for the year attributable to: | | | |
| Equity holders of the Company | | 175,772 | 138,799 |
| Non-controlling interests | | 92,710 | 47,997 |
| Profit for the year | | 268,482 | 186,796 |
| Total comprehensive income for the year attributable to: | | | |
| Equity holders of the Company | | 175,644 | 138,492 |
| Non-controlling interests | | 92,704 | 47,965 |
| Total comprehensive income for the year | | 268,348 | 186,457 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

Financial year ended December 31, 2023

| | | GROUP | |
|---|---|---|---|
| | NOTE | 2023 | 2022 |
| | | RMB CENTS | RMB CENTS |
| **Earnings per share (RMB cents)** | | | |
| From continuing operations | | | |
| - Basic | 33 | 22.09 | 17.44 |
| - Diluted | 33 | 22.09 | 9.26 |

# STATEMENTS OF CHANGES IN EQUITY

Financial year ended December 31, 2023

| GROUP | SHARE CAPITAL (NOTE 23) RMB'000 | SHARE PREMIUM RMB'000 | GENERAL RESERVES (NOTE 24) RMB'000 | SHARE OPTION RESERVE (NOTE 25) RMB'000 | FOREIGN CURRENCY TRANSLATION RESERVE RMB'000 | REVALUATION RESERVE (NOTE 26) RMB'000 | RETAINED EARNINGS RMB'000 | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY RMB'000 | NON-CONTROLLING INTERESTS RMB'000 | TOTAL RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2022** | 57,662 | 313,653 | 186,153 | 319 | (190) | (1,209) | 1,035,444 | 1,591,832 | 271,999 | 1,863,831 |
| *Total comprehensive income for the year:* | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 138,799 | 138,799 | 47,997 | 186,796 |
| Other comprehensive income (loss) for the year | – | – | – | – | 190 | (497) | – | (307) | (32) | (339) |
| Total | – | – | – | – | 190 | (497) | 138,799 | 138,492 | 47,965 | 186,457 |
| *Transactions with owners, recognised directly in equity:* | | | | | | | | | | |
| Transfer to general reserves (Note 24) | – | – | 53,528 | – | – | – | (53,528) | – | – | – |
| Disposal of subsidiaries (Note 35) | – | – | – | – | – | – | – | – | (439) | (439) |
| Total | – | – | 53,528 | – | – | – | (53,528) | – | (439) | (439) |
| **Balance as at December 31, 2022** | 57,662 | 313,653 | 239,681 | 319 | - | (1,706) | 1,120,715 | 1,730,324 | 319,525 | 2,049,849 |
| Total comprehensive income for the year: | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 175,772 | 175,772 | 92,710 | 268,482 |
| Other comprehensive loss for the year | – | – | – | – | – | (128) | – | (128) | (6) | (134) |
| Total | – | – | – | – | – | (128) | 175,772 | 175,644 | 92,704 | 268,348 |
| *Transactions with owners, recognised directly in equity:* | | | | | | | | | | |
| Transfer to general reserves (Note 24) | – | – | 47,737 | – | – | – | (47,737) | – | – | – |
| Others | – | – | 683 | – | – | – | (683) | – | – | – |
| Dividend paid (Note 34) | – | – | – | – | – | – | (5,528) | (5,528) | – | (5,528) |
| Total | – | – | 48,420 | – | – | – | (53,948) | (5,528) | – | (5,528) |
| **Balance as at December 31, 2023** | 57,662 | 313,653 | 288,101 | 319 | – | (1,834) | 1,242,539 | 1,900,440 | 412,229 | 2,312,669 |

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Financial year ended December 31, 2023

| COMPANY | SHARE CAPITAL (NOTE 23) | SHARE PREMIUM | SHARE OPTION RESERVE (NOTE 25) | RETAINED EARNINGS | EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | TOTAL |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance as at January 1, 2022** | 57,662 | 313,653 | 319 | (330,224) | 41,410 | 41,410 |
| Loss for the year, representing total comprehensive loss for the year | – | – | – | (16,570) | (16,570) | (16,570) |
| Total | – | – | – | (16,570) | (16,570) | (16,570) |
| **Balance as at December 31, 2022** | 57,662 | 313,653 | 319 | (346,794) | 24,840 | 24,840 |
| Loss for the year, representing total comprehensive loss for the year | – | – | – | (139,590) | (139,590) | (139,590) |
| Dividend paid (Note 34) | – | – | – | (5,528) | (5,528) | (5,528) |
| Total | – | – | – | (145,118) | (145,118) | (145,118) |
| **Balance as at December 31, 2023** | 57,662 | 313,653 | 319 | (491,912) | (120,278) | (120,278) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended December 31, 2023

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| **Operating activities** | | |
| Profit before income tax | 343,701 | 233,094 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment ("PPE") | 48,154 | 50,037 |
| Depreciation of right-of-use asset | 6,149 | 6,512 |
| Amortisation of intangible assets | 187,276 | 147,086 |
| Interest expense | 278,744 | 232,488 |
| Impairment of PPE | 2,116 | – |
| Exchange differences arising on foreign currency translation | 330 | (419) |
| Share of profit of associate | (5,062) | (1,649) |
| Net loss on disposal of property, plant and equipment (Note C) | 572 | 6,036 |
| Gain on disposal of right-of-use asset (Note C) | (264) | – |
| Gain on disposal of subsidiaries (Note 35) | – | (12,820) |
| Impairment allowance on inventories, net of allowance | (1,251) | – |
| Interest income | (6,753) | (3,377) |
| Impairment loss on trade and other receivables subject to ECL, net | 17,197 | 2,053 |
| Reversal of impairment loss on pledged bank deposits | – | (3,000) |
| Exchange loss on convertible bonds | 14,895 | 72,695 |
| Fair value gain on convertible bonds | – | (150,656) |
| Operating cash flows before movements in working capital | 885,804 | 578,080 |
| Trade receivables | (181,451) | (216,911) |
| Other receivables and prepayments | 87,448 | 11,541 |
| Prepayment for contract cost | (6,364) | - |
| Financial assets at fair value through other comprehensive income | 14,323 | (47,916) |
| Inventories | 38,538 | (52,609) |
| Trade payables, other payables and contract liabilities | (111,325) | 245,358 |
| Cash generated from operations | 726,973 | 517,543 |
| Income tax paid | (87,489) | (69,581) |
| Interest received | 6,753 | 3,377 |
| Interest paid | (183,018) | (146,166) |
| Net cash from operating activities | 463,219 | 305,173 |
| **Investing activities** | | |
| Purchase of property, plant and equipment (Note A) | (48,121) | (61,321) |
| Prepayment for build-operate-transfer ("BOT") projects | (33,125) | (56,716) |
| Acquisition of intangible assets (Note B) | (343,984) | (474,979) |
| Proceeds from disposal of subsidiaries (Note 35) | 1,400 | 571 |
| Payment of deferred consideration relating to acquisition of subsidiaries | – | (7,183) |
| Acquisition of an associate | – | (31,476) |
| Proceeds from disposal of property, plant and equipment (Note C) | 116 | 6,396 |
| Net cash used in investing activities | (423,714) | (624,708) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Financial year ended December 31, 2023

| | GROUP | |
|---|---|---|
| | **2023** | **2022** |
| | **RMB'000** | **RMB'000** |
| **Financing activities** | | |
| Proceeds from new borrowings | 1,085,072 | 1,635,050 |
| Pledged bank deposits | 44,066 | (64,952) |
| Payment of dividend | (5,528) | – |
| Repayment of borrowings | (1,044,721) | (1,028,807) |
| Repayments of lease liabilities | (1,490) | (1,465) |
| Interest paid | (39,082) | (33,612) |
| Net cash from financing activities | 38,317 | 506,214 |
| Net increase in cash and cash equivalents | 77,822 | 186,679 |
| Cash and cash equivalents at beginning of year | 585,268 | 398,399 |
| Effects of foreign exchange rate changes | – | 190 |
| **Cash and cash equivalents at end of year (Note 6)** | 663,090 | 585,268 |

### Note A

At the end of the reporting period, RMB39,917,000 (2022 : RMB47,120,000) of additions to property, plant and equipment remain unpaid.

### Note B

| | **2023** | **2022** |
|---|---|---|
| | **RMB'000** | **RMB'000** |
| Acquisition unpaid as at beginning of the year | 376,098 | 287,177 |
| Additions during the year (Note 16) | 136,609 | 634,848 |
| Less: Transferred from prepayment for build-operate-transfer ("BOT") projects | – | (70,948) |
| Less: Cash outflows during the year | (343,984) | (474,979) |
| Acquisition unpaid as at end of the year | 168,723 | 376,098 |

The cash outflows of RMB343,984,000 (2022 : RMB474,979,000) during the year includes payments for intangible assets acquired in previous financial year.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Financial year ended December 31, 2023

**Note C**

In 2019, Government of Xintai ("the Government") and Xintai Zhengda Thermoelectric Co., Ltd. ("Xintai") entered into an agreement to compensate Xintai for relocation. The Government agreed to provide relocation allowance of RMB120,957,000 and RMB38,043,000 as compensation to Xintai for the disposal of property, plant and equipment, and right-of-use asset, respectively.

In 2021, Xintai completed the relocation and the carrying amount of the disposed property, plant and equipment, and right-of-use asset were RMB58,683,000 and RMB33,700,000, respectively, and the gain on diposal of property, plant and equipment, and right-of-use asset were RMB62,274,000 and RMB4,343,000, respectively.

In 2022, 2021 and 2019, Xintai received relocation allowance of RMB3,000,000, RMB44,750,000 and RMB39,750,000, respectively from the Government. As of December 31, 2023, the outstanding amount of RMB61,500,000 (2022 : RMB71,500,000) was included in other receivbles due from third parties (Note 9).

In 2021, other than the mentioned relocation, the Group disposed property, plant and equipment to third parties with consideration of RMB39,873,000. The carrying amount of the disposed property, plant and equipment were RMB34,436,000 and the gain on diposal of property, plant and equipment were RMB5,437,000. The Group received RMB38,607,000 during the financial year and the outstanding amount of RMB1,266,000 was included in other receivbles due from third parties (Note 9).

In 2022, the Group disposed of property, plant and equipment to third parties with consideration of RMB6,396,000 received during the financial year. The carrying amount of the disposed property, plant and equipment were RMB12,432,000 and the loss on disposal of property, plant and equipment were RMB6,036,000.

In 2023, the Group disposed property, plant and equipment to third parties with consideration of RMB116,000 received during the financial year. The carrying amount of the disposed property, plant and equipment were RMB688,000 and the loss on disposal of property, plant and equipment were RMB572,000.

## 1 GENERAL

The Company (Registration Number 35230) is incorporated in Bermuda, under the Companies Act 1981 of Bermuda, with its registered office at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and principal place of business at No. 2111 Chengxin Road, Nanjing Jiangning Science Park, Nanjing, China 211112. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associates are detailed in Notes 14 and 15 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2023 were authorised for issue by the Board of Directors on March 25, 2024.

As disclosed in Note 21 to the financial statements, the shareholders approved the extension of the maturity date of the Convertible Bonds (the "CBs") to April 2025, amongst other amendments at a Special General Meeting on 28 July 2023. The Group is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group's existing operations and financials, and monetising certain Green investments ("GI") Projects. Management is also of the view that the business fundamentals of the Group are reasonably stable, and that the Group has sufficient cash and cash equivalents and is able to generate positive cash flow from its operations to meet its day-to-day working capital needs for the next 12 months from the date of authorisation of the financial statements. As the plans to redeem the CBs are still preliminary at this stage, the financial statements did not include any adjustments relating to the realisation and classification of assets and liabilities that may be necessary arising from the Group carrying out any of its plans to redeem the CBs.

### 1.1 Basis of preparation

The financial statements have been prepared in accordance on the historical cost basis, except as disclosed in the material accounting policy information, and are drawn up in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)s"). The financial statements are expressed in Chinese Renminbi ("RMB").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 1.2 Adoption of new and revised Standards

In the current year, the Group and the Company adopted all the new and revised SFRS(I) Accounting Standards that are mandatorily effective for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements except as below.

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies

The Group has adopted the amendments to SFRS(I) 1-1 for the first time in the current year. The amendments change the requirements in SFRS(I) 1-1 with regard to disclosure of accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

## 1 GENERAL (CONT'D)

### 1.2 Adoption of new and revised Standards (cont'd)

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies (cont'd)

The supporting paragraphs in SFRS(I) 1-1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Group has applied materiality guidance in SFRS(I) Practice Statement 2 in identifying its material accounting policies for disclosures in the related notes. The previous term 'significant accounting policies' used throughout the financial statements has been replaced with 'material accounting policy information'.

Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to SFRS(I) 1-12 for the first time in the current year. The amendments narrow the scope of the initial recognition exemption, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences (e.g. leases and decommissioning obligations). Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Group had previously recognised deferred tax for leases on an aggregate temporary difference basis. Following the amendments, the Group is required to recognise separately deferred tax asset and deferred tax liability for the deductible and taxable temporary differences in relation to its lease liabilities and right-of-use assets respectively, which are now disclosed in Note 17. There was no impact to the opening retained earnings as at January 1, 2022 as a result of the change, and there was also no impact on the statement of financial position as the resulting deferred tax consequences qualify for offsetting under SFRS(I) 1-12.

Amendments to SFRS(I) 1-8: Definition of Accounting Estimates

The Group has adopted the amendments to SFRS(I) 1-8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The definition of a change in accounting estimates was deleted.

## 1 GENERAL (CONT'D)

### 1.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group and Company have not applied the following SFRS(I) pronouncements that have been issued but are not yet effective:

<u>Effective for annual periods beginning on or after January 1, 2024</u>

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1: *Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback*

<u>Effective date is deferred indefinitely</u>

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the above amendments to SFRS(I) in future periods will not have a material impact on the financial statements in the period of their initial adoption.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION

### 2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.1 Basis of consolidation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their material accounting policies in line with the Group's material accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable SFRS(I) Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

### 2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits respectively*;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.3 Business combinations (cont'd)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 2.4 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are initially measured at fair value (except for trade receivables that do not have a significant financing component which are measured at transaction price), net of transaction costs that are directly attributable to the acquisition or issue of financial assets (other than those at fair value through profit or loss). Transaction costs directly attributable to the acquisition or issue of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.4 Financial instruments (cont'd)

**Financial assets (cont'd)**

Classification of financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit or loss ('FVTPL') based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group classifies its financial assets in the following measurement categories. The basis of classification and subsequent measurement of the financial assets are further described in the respective notes.

| MEASUREMENT CATEGORY | CRITERIA | FINANCIAL ASSETS |
|---|---|---|
| Financial assets at amortised cost | Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") | Cash and cash equivalents (Note 6)<br>Trade receivables (Note 8)<br>Other receivables, deposits and prepayments (Note 9) |
| Equity instruments designated as at FVTOCI | On initial recognition of certain equity instruments that are not held for trading, the group has made an irrevocable election (on an instrument-by-instrument basis) to present subsequent changes in the instruments' fair value in other comprehensive income | Financial assets at fair value through other comprehensive income (Note 12) |

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on trade receivables and other receivables, contract assets and other debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset. The ECL incorporates forward-looking information and is a probability-weighted estimate of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate. Details about the group's credit risk management and impairment policies are disclosed in Note 4.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.4 Financial instruments (cont'd)

**Financial liabilities and equity**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Convertible bonds

The Group's convertible bonds consist of a debt host liability component and a derivative liability component. The component parts are classified as financial liabilities in accordance with the substance of the contractual arrangement.

At the date of issue, the fair value of the derivative liability component is estimated using the Binomial model. This amount is recorded as a liability at fair value, and is subsequently remeasured at the end of each financial period with changes in fair value recognised in profit or loss.

At the date of issue, the fair value of the debt host liability component is determined by deducting the amount of the derivative liability component from the fair value of the convertible bonds as a whole. This is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date.

Transaction costs that relate to the issue of the convertible bonds are offset against the nominal value of convertible bonds issued.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade and other payables and borrowings. These are initially measured at fair value, net of transaction costs that are directly attributable to the acquisition or issue of the financial liabilities, and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.5 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.
Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.5 Leases (cont'd)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct cost. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.9 – Impairment of property, plant and equipment, right-of-use assets and intangible assets excluding goodwill.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses.

Properties in the course of construction for production, supply or administration purpose, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases per annum:

| | | |
|---|---|---|
| Buildings | – | 5% |
| Leasehold improvements | – | 20% |
| Plant and machinery | – | 10% |
| Furniture, fixtures and equipment | – | 20% |
| Motor vehicles | – | 20% |

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.6 Property, plant and equipment (cont'd)

No depreciation is provided on construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

### 2.7 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired net of liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 2.8 Intangible assets

*Intangible assets acquired separately*

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets arising from service concession arrangements are described in the following section "SERVICE CONCESSION ARRANGEMENTS"

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.8 Intangible assets (cont'd)

SERVICE CONCESSION ARRANGEMENTS - Service concession under build-operate-transfer ("BOT") arrangements involve the Group constructing infrastructure in exchange for the right to operate the infrastructure and to charge for utilities generated at the infrastructure for finite periods in the future, based on consumption of utilities by end-users in future. The Group has entered into BOT arrangements in respect of construction and operation of centralised steam and electricity facilities with the local government authorities. Under the terms of the arrangement, upon expiry of the respective BOT arrangements, the infrastructure is transferrable to the local government if requested by the local government.

The Group recognises an intangible asset at fair value upon initial recognition (arising from business combination) when it has a right to charge for usage in relation to a concession infrastructure. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and any impairment loss. Amortisation is provided on straight-line basis over the respective periods of the operating phase of the concession periods of the Group which is up to 38.5 years.

These service concession arrangements are accounted for under the principles of SFRS(I) INT 12 *Service Concession Arrangements*.

*Contractual obligations to restore the infrastructure to a specified level serviceability under service concession arrangements*

Contractual obligations to maintain the infrastructure to a specified level of serviceability and/or restore the infrastructure to a specified condition before they are handed over to the grantor of the concession at the end of the service concession arrangement are recognised and measure in accordance with the policy set out for "Provisions" below.

Repair and maintenance and other expenses that are routine in nature and expensed and recognised in profit or loss as incurred.

TECHNICAL KNOW-HOW AND TRADEMARK - The technical know-how and trademark are measured initially at purchase cost and are amortised on a straight-line basis over its estimated useful life of 5 years and 10 years respectively.

**LICENSES**

*Indefinite useful lives*

The useful lives of the licenses are estimated to be indefinite based on the current practices in the local construction and power industries where licenses may be renewed indefinitely at little cost, management believes there is no foreseeable limit to the period over which the licenses are expected to generate net cash inflows for the Group.

*Definite useful lives*

Licenses that have finite useful lives are measured at cost and are amortised over the period of 36 years on a straight line basis to profit or loss.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.9 Impairment of property, plant and equipment, right-of-use assets and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

### 2.10 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below–market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non–current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

### 2.12 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of goods.
- Revenue from service concession arrangements.
- Provision of utilities.

Revenue is measured at based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue at a point in time or over time depending on when it transfers control of a product or service to a customer.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Any unconditional rights to consideration (i.e. amounts that relate to completed performance obligations for which payment is due under the contract) should be presented separately as a receivable.

*Sale of goods*

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.12 Revenue recognition (cont'd)

*Revenue from service concession arrangements*

The development of greenfield Green Investments ("GI") projects is managed in–house by the Group's own EPC division and operated under a Build–Operate–Transfer ("BOT") model. The Group has been granted exclusive concessions of between 30 to 38.5 years on each project, thus allowing it to be the only centralised supplier of steam, heat and electricity in certain areas.

Revenue from service concession arrangements under the construction phase is recognised over time using the output method. Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

*Provision of utilities*

The Group provides heat, steam and electricity to industrial customers, which are from diverse industries such as chemicals, textiles, textile printing and dyeing, food, paper–making, paints, pharmaceuticals, leather, wood processing, plastic recycling, fodder, chemical fertilisers and rubber.

The amount of revenue recognised is based on the consumption of utilities derived from the meter readings and when control of the utilities has transferred to its customer, being when the utilities is delivered to the customer's specific location (delivery). A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

### 2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.14 Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

### 2.15 Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi ("RMB"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non–monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non–monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non–monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non–monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non–monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's non–PRC foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

### 2.16 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash at bank and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Critical judgements in applying the Group's material accounting policies

There are no critical judgements in applying the Group's material accounting policies, apart from those involving estimations.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Service concession arrangements

Under SFRS(I) INT 12 Service Concession Arrangements, revenue and cost are recognised during the construction phase based on the output method; and during the subsequent operating of facilities and supplying of steam and electricity. Intangible assets arise from cost incurred during the construction phase which are projected to be recoverable during the operating period. Significant estimates and judgement include the following:

- Projection of total revenue which can be billed to end users during the operating period.
- Evaluation of estimated profit margins for each of the construction and operating phases.
- Allocation of revenue between the construction and service elements of the project.
- Recoverable amount of intangible assets which represent cost recoverable from future operations.

Management has evaluated all aspects of the above estimates and considered that the estimates of intangible assets and the recognition of revenue and cost from the construction phase to be best estimates; and that the intangible assets will be recoverable. The revenue from service concession arrangements are disclosed in Note 27 to the financial statements.

(b) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward–looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical date, assumptions and expectations of future conditions.

Based on the most current assessment, management is of the view that the loss allowances made for trade receivables and other receivables are adequate and the carrying amount of the trade receivables and other receivables as disclosed in Notes 8 and 9 of the financial statements are recoverable.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### 3.2 Key sources of estimation uncertainty (cont'd)

(c) Recoverable amounts of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

Slow moving or aged inventories are identified by management. This is followed by an assessment of sales or usage prospects and a comparison of estimated net realisable values with carrying cost. Allowance is made for cost of inventories which are not expected to be recovered through usage or sales. Physical counts of inventories are carried out on a periodic basis and any identified defective inventory are written off.

Based on the most current assessment, management is of the view that the allowances made for inventories are adequate and the carrying amount of the inventories as disclosed in Note 10 to the financial statements is recoverable.

(d) Fair value measurement of convertible bonds

Due to the amendment agreement, the bond has been assessed to be substantially modified and hence it will be accounted for as an extinguishment of the original liability and recognition of the new liability and the convertible feature will be classified as equity.  The initial carrying amount of the convertible bonds is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Management engaged a third–party qualified valuer to perform the valuation and works closely with the valuer to determine the appropriate valuation techniques and inputs for the valuation. In estimating the fair value of the entire convertible bonds and debt host, market–observable data is used to the extent it is available. Where Level 1 inputs are not available, management establishes inputs that are appropriate to the circumstances.

Management is of the view that the fair value of the revised CB approximates the carrying amount of the previous CB as the revised terms are negotiated with third party bondholders based on market terms. The Group had not adjusted for the fair value of the conversion feature as management is of the view that it is not material.

(e) Impairment of goodwill

As disclosed in Note 18, the recoverable amounts of the cash-generating units which goodwill has been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed in Note 18 to the financial statements.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Management ensures that all externally imposed financial covenants are complied with. As at the end of the reporting period, the Group is in compliance with all financial covenants for external borrowings.

The capital structure of the Group consists of equity, bank borrowings and convertible bonds. Management reviews the capital structure on an on–going basis. As a part of this review, management considers the cost of capital, the tenure and the risks associated with each class of capital.

The Group's overall strategy relating to capital management remains unchanged from prior year.

(b) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| **Financial assets** | | | | |
| Financial assets at amortised cost | 1,637,783 | 1,434,929 | 427,976 | 434,170 |
| Financial assets at FVTOCI: | | | | |
| Debt instruments classified as at FVTOCI | 36,259 | 50,458 | – | – |
| Equity instruments designated as at FVTOCI | 2,142 | 2,445 | – | – |
| Total | 1,676,184 | 1,487,832 | 427,976 | 434,170 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | 4,858,418 | 5,103,706 | 1,446,397 | 1,308,638 |
| Fair value through profit or loss (FVTPL) | – | – | – | – |
| Lease liabilities | 2,972 | 5,830 | – | – |
| Total | 4,861,390 | 5,109,536 | 1,446,397 | 1,308,638 |

(c) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company does not have any financial instruments which are subjected to offsetting under enforceable master netting arrangements or similar netting agreements.

(d) Financial risk management policies and objectives

Management of the Group monitors and manages the financial risks relating to the operations of the Group to minimise the potential adverse effects of such risks on financial performance. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no change to the Group's exposure to these risks and the manner in which it manages and measures the risk.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(d) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management

The carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies at the reporting date are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | US$ | S$ | US$ | S$ |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| GROUP | | | | |
| Cash and bank balances | 474 | 2,843 | 5,700 | 6,500 |
| Trade receivables other receivables | 4 | 154 | 4 | 52 |
| Trade and other payables | – | (2,255) | – | (3,544) |
| Convertible bonds | (973,845) | – | (892,707) | – |
| Total | (973,367) | 742 | (887,003) | 3,008 |
| COMPANY | | | | |
| Cash and bank balances | 174 | 800 | 4,243 | 5,807 |
| Other receivables | 4 | 100 | 4 | – |
| Other payables | – | (1,428) | – | (3,304) |
| Convertible bonds | (973,845) | – | (892,707) | – |
| Total | (973,667) | (528) | (888,460) | 2,503 |

Foreign currency sensitivity

The following table details the sensitivity to a 5% change in exchange rate relative to RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at December 31 and adjusts their translation at the period end for a 5% change in foreign currency rates.

A strengthening of the following foreign currencies by 5% relative to the RMB will increase (decrease) profits by the following amounts:

| | US$ IMPACT | | S$ IMPACT | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| GROUP | (48,668) | (44,350) | 37 | 150 |
| COMPANY | (48,683) | (44,423) | (26) | 125 |

Conversely, a weakening of RMB by 5% relative to the above foreign currencies would have the opposite effect on profits.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

(ii) Interest rate risk management

Interest rate risk is managed by maintaining a mix of fixed and floating rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors exposures to variability in interest rates and will consider restructuring the Group's credit facilities should the need arise.

The Group's exposures to variability in interest rates are detailed in the liquidity risk management section set out below.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For variable–rate bank borrowings and the Company's loan to a subsidiary, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase or decrease is used as it represents management's assessment of the possible change in interest rates.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit would decrease/increase by RMB22,113,000 (2022 : decrease/increase by RMB10,898,000) respectively.

(iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at December 31, 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's current credit risk grading framework comprises the following categories:

| CATEGORY | DESCRIPTION | BASIS FOR RECOGNISING ECL |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past–due amounts. | 12–month ECL. |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit–impaired. |
| In default | Amount is >180 days past due or there is evidence indicating the asset is credit–impaired. | Lifetime ECL – credit–impaired. |
| Write–off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery. | Amount is written off. |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

The table below details the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

| | NOTE | INTERNAL CREDIT RATING | 12–MONTH OR LIFETIME ECL/ INCURRED LOSS BASIS | GROSS CARRYING AMOUNT | LOSS ALLOWANCE | NET CARRYING AMOUNT |
|---|---|---|---|---|---|---|
| | | | | RMB'000 | RMB'000 | RMB'000 |
| **GROUP** | | | | | | |
| **2023** | | | | | | |
| Pledged bank deposits | 7 | Write–off | Write–off | 87,757 | (3,081) | 84,676 |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 821,225 | (8,192) | 813,033 |
| Other receivables – Third parties | 9 | (ii) | Lifetime ECL (simplified approach) | 83,146 | (14,687) | 68,459 |
| Other receivables | 9 | Performing | 12–month ECL | 766 | – | 766 |
| Compensation receivable from the government | 9 | Performing | 12–month ECL | 7,759 | – | 7,759 |
| Notes receivables, at FVTOCI | 12 | Performing | 12–month ECL | 36,259 | – | 36,259 |
| | | | | | 25,960 | |
| **2022** | | | | | | |
| Pledged bank deposits | 7 | Write–off | Write–off | 131,823 | (3,081) | 128,742 |
| Trade receivables | 8 | (i) | Lifetime ECL (simplified approach) | 639,774 | (1,651) | 638,123 |
| Other receivables – Third parties | 9 | (ii) | Lifetime ECL (simplified approach) | 87,434 | (4,680) | 82,754 |
| Other receivables | 9 | Performing | 12–month ECL | 42 | – | 42 |
| Notes receivables, at FVTOCI | 12 | Performing | 12–month ECL | 50,458 | – | 50,458 |
| | | | | | (9,412) | |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

| | NOTE | INTERNAL CREDIT RATING | 12–MONTH OR LIFETIME ECL/ INCURRED LOSS BASIS | GROSS CARRYING AMOUNT | LOSS ALLOWANCE | NET CARRYING AMOUNT |
|---|---|---|---|---|---|---|
| | | | | RMB'000 | RMB'000 | RMB'000 |
| **COMPANY** | | | | | | |
| **2023** | | | | | | |
| Other receivables | 9 | Performing | 12–month ECL | 426,981 | – | 426,981 |
| **2022** | | | | | | |
| Other receivables | 9 | Performing | 12–month ECL | 424,029 | – | 424,029 |

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated from historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 8 includes further details on the loss allowance for these assets.

(ii) For other receivables – third parties, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 9 includes further details on the loss allowance for these assets.

Other receivables of the Group and the Company are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition.

Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12–month ECL.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

(iii) Credit risk management

Upfront deposits are obtained where appropriate and progressive billings made for longer term contracts to mitigate the risk of financial loss from defaults. Credit exposure is controlled by credit limits that are reviewed and approved by management. Information on counterparties supplied by independent rating agencies where available, other publicly available financial information and the Group's own historical transactions with these counterparties are used to make decisions relating to credit granted to customers or advances made to suppliers. The Group's exposure to credit risk, concentration risk and the credit terms granted to counterparties are monitored continuously.

The Group's credit risk primarily relates to the Group's trade and other receivables, trade prepayments and bank balances. Trade receivables account for 11% (2022 : 8%) of total assets. For contract related work, collection of debts including retention sums can involve extended period of time. Management closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period. Such review takes into consideration the due date, the period the payment is overdue, the results of communications with debtors, adherence to installment payment plans or otherwise and current commercial information of debtors where available. Following the identification of slow payments, the responsible sales personnel discuss with the relevant customers and report on results of recovery actions and recovery prospects. Management is of the view that adequate allowance for doubtful debts has been made for irrecoverable amounts.

The five (2022 : five) largest customers accounted for approximately 40% (2022 : 31%) of the Group's total trade receivables as at December 31, 2023.

Other receivables account for 4% (2022 : 5%) of total assets. To minimise risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group. At December 31, 2023 and December 31, 2022, there was no concentration of credit risk with any particular supplier.

Bank balances are placed with reputable banking institutions in the People Repulic of China ("PRC") and Singapore.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

(iv) Liquidity risk management

The Group maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows relative to expectations. Management monitors cash flows, utilisation of bank borrowings and compliance with financial covenants relating to credit facilities.

The Group has embarked on more service concession arrangements which involve substantial commitment of funds during the construction of infrastructure with cash inflows only after completion of infrastructure and delivering of utilities to end users.

Management reviewed the projected timing and amounts of cash inflows and outflows from the service concession arrangements and is of the view that the funding arrangements made are adequate for its needs and the Group will be able to discharge its obligations as and when they fall due.

The Group has access to committed financing facilities of which RMB747,000,000 were unutilised at the end of reporting period. In addition, based on the Group's cash flow forecast for the next 12 months from the date of authorisation of the financial statement, the Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

As disclosed in Note 21 to the financial statements, the shareholders approved the extension of the maturity date of the Convertible Bonds (the "CBs") to April 2025, amongst other amendments at a Special General Meeting on 28 July 2023. The Group is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group's existing operations and financials, and monetising certain Green investments ("GI") Projects.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

(iv) Liquidity risk management

**Liquidity and interest risk analyses**

Financial assets

The following table shows the cash flows (principal and interest where applicable) based on the contractual or expected maturity of financial assets. The adjustment column represents future interest which are not included in the carrying amounts of the financial asset in the statement of financial position.

| | WEIGHTED AVERAGE EFFECTIVE INTEREST RATE | ON DEMAND OR LESS THAN 1 YEAR | MORE THAN 1 TO 5 YEARS | ADJUSTMENT | CARRYING AMOUNT |
|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| GROUP | | | | | |
| **2023** | | | | | |
| Non–interest bearing | | 928,418 | – | – | 928,418 |
| Variable interest rate | 0.28 | 664,947 | – | (1,857) | 663,090 |
| Fixed interest rate | 1.83 | 86,226 | – | (1,550) | 84,676 |
| Total | | 1,679,591 | – | (3,407) | 1,676,184 |
| **2022** | | | | | |
| Non–interest bearing | – | 773,822 | – | – | 773,822 |
| Variable interest rate | 0.25 | 586,731 | – | (1,463) | 585,268 |
| Fixed interest rate | 1.83 | 131,092 | – | (2,350) | 128,742 |
| Total | | 1,491,645 | – | (3,813) | 1,487,832 |
| COMPANY | | | | | |
| **2023** | | | | | |
| Non–interest bearing | | 426,981 | – | – | 426,981 |
| Variable interest rate | 0.25 | 997 | – | (2) | 995 |
| Total | | 427,978 | – | (2) | 427,976 |
| **2022** | | | | | |
| Non–interest bearing | – | 424,029 | – | – | 424,029 |
| Variable interest rate | 0.25 | 10,166 | – | (25) | 10,141 |
| Total | | 434,195 | – | (25) | 434,170 |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(b) Categories of financial instruments (cont'd)

(iv) Liquidity risk management

**Liquidity and interest risk analyses**

Financial liabilities

The following table shows the cash flows of financial liabilities based on the earliest dates on which the Group and Company are required to pay. The table includes both interest and principal cash flows. The adjustment column represents future interest which are not included in the carrying amounts of financial liabilities carried in the statement of financial position.

| | WEIGHTED AVERAGE EFFECTIVE INTEREST RATE | ON DEMAND OR LESS THAN 1 YEAR | MORE THAN 1 TO 5 YEARS | MORE THAN 5 YEARS | ADJUSTMENT | CARRYING AMOUNT |
|---|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| GROUP | | | | | | |
| **2023** | | | | | | |
| Non–interest bearing | – | 501,247 | – | – | – | 501,247 |
| Variable interest rate | 5.09 | 952,694 | 1,541,978 | 492,254 | (144,682) | 2,842,244 |
| Lease liabilities (fixed rate) | 4.62 | 1,357 | 1,809 | – | (194) | 2,972 |
| Fixed interest rate | 7.05 | 314,572 | 1,375,424 | – | (175,069) | 1,514,927 |
| Total | | 1,769,870 | 2,919,211 | 492,254 | (319,945) | 4,861,390 |
| **2022** | | | | | | |
| Non–interest bearing | – | 868,024 | – | – | – | 868,024 |
| Lease liabilities (fixed rate) | 5.12 | 1,920 | 4,459 | – | (549) | 5,830 |
| Variable interest rate | 5.39 | 381,378 | 923,996 | 424,274 | (276,639) | 1,453,009 |
| Fixed interest rate | 6.80 | 1,617,464 | 1,137,008 | 407,958 | (379,757) | 2,782,673 |
| Total | | 2,868,786 | 2,065,463 | 832,232 | (656,945) | 5,109,536 |
| COMPANY | | | | | | |
| **2023** | | | | | | |
| Non–interest bearing | | 472,552 | – | – | – | 472,552 |
| Fixed interest rate | 10.25 | 23,019 | 1,096,720 | – | (145,894) | 973,845 |
| | | 495,571 | 1,096,720 | – | (145,894) | 1,446,397 |
| **2022** | | | | | | |
| Non–interest bearing | – | 415,931 | – | – | – | 415,931 |
| Fixed interest rate | 8.75 | 919,229 | – | – | (19,522) | 892,707 |
| | | 1,328,160 | – | – | (19,522) | 1,308,638 |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(e) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| | FAIR VALUE AS AT | | FAIR VALUE HIERARCHY | VALUATION TECHNIQUE AND KEY INPUT | SIGNIFICANT UNOBSERVABLE INPUT | RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE |
|---|---|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | | | | |
| Financial assets at fair value through other comprehensive income – unquoted equity shares | 2,142 | 2,445 | Level 3 | Discounted cash flow | Discount rate taking into account the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued. | The higher the discount rate, the lower the fair value. |
| Financial assets at fair value through other comprehensive income – notes receivables | 36,259 | 50,458 | Level 3 | Discounted cash flow method was used to capture the present value of the financial assets | Discount rate taking into account the time value of money. | The higher the discount rate, the lower the fair value. |
| Financial liabilities at fair value through profit or loss – convertible bonds – derivative liability component (Note 21) | – | – | Level 2 | Option Model, taking into consideration the various scenarios resulting in a probability–weighted average value | N/A | N/A |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(e) Fair value of financial assets and financial liabilities (cont'd)

***Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)***

Management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values as these are either of relatively short–term maturity or which effective interest rates instruments are close approximation of market interest rates at period end.

(f) Fair value of guarantees given by the Company

Management considered the nature of the guarantees given by the Company to banks which have provided loans to a subsidiary (Note 20) and the reliance on assets of other subsidiaries as support for the financial guarantee and determined that there is no significant fair value of the guarantee to be accounted for by the Company.

## 5 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Guo Hong Xin whose interest in the Company is held through his shareholdings in Allgreat Pacific Limited and Sunpower Business Group Pte. Ltd. Some of the Group's transactions and arrangements are with related parties and the effects of these, on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, receivable or repayable on demand and interest–free unless stated otherwise.

Related parties comprise entities over which two of the Company's directors have significant influence or control; and non–controlling shareholders of partially held subsidiaries (Note 14).

Significant related party transactions:

| | GROUP | |
|---|---|---|
| | **2023** | **2022** |
| | **RMB'000** | **RMB'000** |
| Rental expenses | 1,895 | 2,147 |
| Purchase of construction services | 13,325 | 432,822 |
| Purchase of catering services | 122 | – |
| Sale of services | 4,465 | 5,066 |

The sales and purchases made are conducted on terms mutually agreed among the parties involved. The expenses charged are paid in accordance with the terms of the agreement entered into among the parties involved.

The nature and terms of transactions with related parties are reviewed by the Board of Directors.

## 6 CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash and bank balances | 663,090 | 585,268 | 995 | 10,141 |

Cash and bank balances comprise ash held by the Group and the Company and short–term bank deposits with maturity of three months or less. The average interest rate is 0.28% (2022 : 0.25%) per annum.

## 7 PLEDGED BANK DEPOSITS

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Pledged bank deposits | 84,676 | 128,742 |

The above deposits are pledged to banks to secure the Group's bank loans. The deposits earn fixed interest rate ranging from 0.15% to 3.40% (2022 : 0.25% to 3.40%) per annum.

## 8 TRADE RECEIVABLES

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Outside parties | 821,165 | 638,994 |
| Related parties (Note 5) | 60 | 780 |
| Loss allowance | (8,192) | (1,651) |
| Total | 813,033 | 638,123 |

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB422,864,000 (net of loss allowance of RMB94,000).

The credit period for trade receivables is 90 – 180 days (2022 : 90 – 180 days). These receivables are not secured by any collateral or credit enhancements. No interest is charged on the overdue trade receivables.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

## 8 TRADE RECEIVABLES (CONT'D)

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on aging profile from invoice dates is not further distinguished between the Group's different customer base.

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | < 6 MONTHS | 7 – 12 MONTHS | 1 – 2 YEARS | 2 – 3 YEARS | 3 – 4 YEARS | >4 YEARS | TOTAL |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2023** | | | | | | | |
| Expected credit loss rate | 0% | 0% – 5% | 0% – 12.50% | 1.50% – 50% | 12.50% – 75% | 50% – 100% | |
| Estimated total gross carrying amount at default | 607,896 | 73,079 | 103,457 | 17,169 | 16,219 | 3,405 | 821,225 |
| Lifetime ECL | – | – | (259) | (1,324) | (4,055) | (2,554) | (8,192) |
| | | | | | | | 813,033 |
| **2022** | | | | | | | |
| Expected credit loss rate | 0% | 0% – 5% | 0% – 12.50% | 1.50% – 50% | 12.50% – 75% | 50% – 100% | |
| Estimated total gross carrying amount at default | 547,658 | 54,623 | 17,869 | 16,219 | 2,892 | 513 | 639,774 |
| Lifetime ECL | – | – | (310) | (522) | (434) | (385) | (1,651) |
| | | | | | | | 638,123 |

## 8 TRADE RECEIVABLES (CONT'D)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

| GROUP | LIFETIME ECL CREDIT–IMPAIRED | | |
|---|---|---|---|
| | INDIVIDUALLY ASSESSED | COLLECTIVELY ASSESSED | TOTAL |
| | RMB'000 | RMB'000 | RMB'000 |
| Balance as at January 1, 2022 | 94 | – | 94 |
| Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement | 268 | 1,383 | 1,651 |
| Disposal of subsidiaries | (94) | – | (94) |
| Balance as at December 31, 2022 | 268 | 1,383 | 1,651 |
| Change in loss allowance due to deteriorating trade receivable ageing backet, net of those derecognised due to settlement | – | 6,541 | 6,541 |
| Balance as at December 31, 2023 | 268 | 7,924 | 8,192 |

## 9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advance payments for purchases | 21,852 | 76,312 | 102 | 102 |
| Prepayment for BOT projects | 35,994 | 44,722 | – | – |
| Deposits and prepayments | 10,012 | 13,755 | – | – |
| Third parties | 83,146 | 87,434 | – | – |
| Subsidiaries (Note 14) | – | – | 424,675 | 422,054 |
| Advances to staff | 1,623 | 2,042 | – | – |
| Input tax recoverable | 146,863 | 174,504 | – | – |
| Contract acquisition cost | 6,364 | – | – | – |
| Compensation receivable from the government | 7,759 | – | – | – |
| Others | 766 | 42 | 2,306 | 1,975 |
| Total | 314,379 | 398,811 | 427,083 | 424,131 |
| Less: | | | | |
| Loss allowance | (14,687) | (4,680) | – | – |
| Net | 299,692 | 394,131 | 427,083 | 424,131 |
| Presentation on statement of financial position: | | | | |
| Current assets | 249,575 | 349,409 | 427,083 | 294,471 |
| Non–current assets | 50,117 | 44,722 | – | 129,660 |
| Total | 299,692 | 394,131 | 427,083 | 424,131 |

## 9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Included in amounts due from subsidiaries are loans to subsidiaries as follows:

- Loan to a subsidiary amounting to RMB194,000,000 (2022 : RMB194,000,000). The loan is non-trade in nature, unsecured, interest-free and is repayable on demand.

- Loan to a subsidiary amounting to RMB129,660,000 (2022 : RMB129,660,000). The loan is non-trade in nature, unsecured, interest-free and is repayable on November, 30, 2024.

The remaining amount due from subsidiaries are unsecured, interest-free and repayable on demand.

Staff advances were non-trade in nature, unsecured, interest-free and repayable on demand.

Loss allowance for other receivables – third parties has always been at an amount equal to lifetime ECL.

Other receivables excluding third parties of the Group and the Company are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12–month ECL.

The ECL on other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below shows the movements in lifetime ECL that has been recognised for other receivables in accordance with the simplified approach set out in SFRS(I) 9:

| GROUP | LIFETIME ECL – CREDIT– IMPAIRED RMB'000 |
|---|---|
| Balance as at January 1, 2022 | 4,754 |
| Amounts written off | (476) |
| Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement | 402 |
| Balance as at December 31, 2022 | 4,680 |
| Amounts written off | (649) |
| Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement | 10,656 |
| Balance as at December 31, 2023 | 14,687 |

## 10 INVENTORIES

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Raw materials and consumables | 138,028 | 175,315 |

Inventories are stated net of allowance.

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Movements in allowance for inventories: | | |
| At beginning of year | 1,759 | 4,463 |
| Credit to profit or loss | (1,251) | – |
| Disposal of subsidiaries | – | (2,704) |
| At end of year | 508 | 1,759 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| GROUP | BUILDINGS<br>RMB'000 | LEASEHOLD IMPROVEMENTS<br>RMB'000 | PLANT AND MACHINERY<br>RMB'000 | FURNITURE, FIXTURES AND EQUIPMENT<br>RMB'000 | MOTOR VEHICLES<br>RMB'000 | CONSTRUCTION–IN–PROGRESS<br>RMB'000 | TOTAL<br>RMB'000 |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At January 1, 2022 | 295,260 | 16,022 | 409,431 | 11,572 | 15,140 | 65,950 | 813,375 |
| Additions | 892 | 8,553 | 10,403 | 3,219 | 348 | 29,225 | 52,640 |
| Transfers | 2,115 | – | 34,822 | – | – | (36,937) | – |
| Disposals | (1,933) | – | (27,024) | (657) | (1,820) | – | (31,434) |
| Disposal of subdiaries | (6,211) | – | (10,388) | (200) | – | – | (16,799) |
| At December 31, 2022 | 290,123 | 24,575 | 417,244 | 13,934 | 13,668 | 58,238 | 817,782 |
| Additions | 108 | 315 | 1,210 | 6,287 | 2,259 | 30,739 | 40,918 |
| Transfers | 1,897 | – | 18,950 | 157 | – | (21,004) | – |
| Transfer to intangible assets | (277) | – | (63,020) | (640) | – | – | (63,937) |
| Transfer to compensation receivable from the government | – | – | – | – | – | (41,135) | (41,135) |
| Disposals | – | – | (1,097) | (176) | (85) | (106) | (1,464) |
| At December 31, 2023 | 291,851 | 24,890 | 373,287 | 19,562 | 15,842 | 26,732 | 752,164 |
| | | | | | | | |
| Accumulated depreciation: | | | | | | | |
| At January 1, 2022 | 52,520 | 335 | 94,891 | 6,364 | 5,554 | – | 159,664 |
| Depreciation | 5,613 | 484 | 40,358 | 2,503 | 1,249 | – | 50,207 |
| Disposals | (653) | – | (15,394) | (641) | (1,604) | – | (18,292) |
| Disposal of subdiaries | (3,554) | – | (2,502) | (180) | – | – | (6,236) |
| At December 31, 2022 | 53,926 | 819 | 117,353 | 8,046 | 5,199 | – | 185,343 |
| Depreciation | 6,906 | 101 | 36,901 | 2,990 | 1,256 | – | 48,154 |
| Transfer to intangible assets | – | – | (136) | (165) | – | – | (301) |
| Disposals | – | – | (553) | (140) | (83) | – | (776) |
| At December 31, 2023 | 60,832 | 920 | 153,565 | 10,731 | 6,372 | – | 232,420 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| GROUP | BUILDINGS | LEASEHOLD IMPROVEMENTS | PLANT AND MACHINERY | FURNITURE, FIXTURES AND EQUIPMENT | MOTOR VEHICLES | CONSTRUCTION–IN–PROGRESS | TOTAL |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Impairment loss: | | | | | | | |
| At January 1 and December 31, 2022 | – | – | – | – | – | – | – |
| Impairment loss | – | – | – | – | – | (2,116) | (2,116) |
| At December 31, 2023 | – | – | – | – | – | (2,116) | (2,116) |
| Carrying amount: | | | | | | | |
| At December 31, 2023 | 231,019 | 23,970 | 219,722 | 8,831 | 9,470 | 24,616 | 517,628 |
| At December 31, 2022 | 236,197 | 23,756 | 299,891 | 5,888 | 8,469 | 58,238 | 632,439 |

At the end of the reporting period, buildings and plant and machinery with carrying amount of RMB423,603,000 (2022 : RMB274,445,000) are pledged to secure banking facilities and loans granted to the Group.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Investments in equity instruments designated as at FVTOCI: | | |
| Unquoted equity shares | 2,142 | 2,445 |
| Investments in debt instruments classified as at FVTOCI: | | |
| Notes receivables | 36,259 | 50,458 |
| Total financial assets at FVTOCI | 38,401 | 52,903 |
| Presentation on statement of financial position: | | |
| Current assets | 36,259 | 50,458 |
| Non-current assets | 2,142 | 2,445 |
| Total | 38,401 | 52,903 |

*Investments in equity instruments*

These investments in equity instruments are not held for trading. Instead they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

*Investments in debt instruments*

Note receivables represent promissory notes that give the Group the right to receive cash on or before a specific future date, and such notes are received from customers as settlement of trade receivables. The notes receivables are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, the notes receivables are classified as at FVTOCI.

For purpose of impairment assessment, the notes receivables are considered to have low credit risk as they are held with financial institutions with sound credit ratings. Accordingly, management believes that there is no loss allowance required. The Group holds no collateral over these notes. For the purpose of impairment assessment for these debts instruments, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analysts reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

## 13 RIGHT-OF-USE ASSETS

The Group leases buildings. The average lease term is ranging from 2 to 5 years, where the Group make periodic lease payments, which are used for its day to day operations.

| GROUP | LAND USE RIGHTS RMB'000 | BUILDINGS RMB'000 | TOTAL RMB'000 |
|---|---|---|---|
| Cost: | | | |
| At January 1, 2022 | 266,509 | 8,259 | 274,768 |
| Additions | – | 137 | 137 |
| Disposal of subsidiaries | (2,762) | – | (2,762) |
| At December 31, 2022 | 263,747 | 8,396 | 272,143 |
| Disposal | – | (2,072) | (2,072) |
| At December 31, 2023 | 263,747 | 6,324 | 270,071 |
| Accumulated depreciation: | | | |
| At January 1, 2022 | 26,954 | 1,101 | 28,055 |
| Depreciation for the year | 5,447 | 1,697 | 7,144 |
| Disposal of subsidiaries | (539) | – | (539) |
| At December 31, 2022 | 31,862 | 2,798 | 34,660 |
| Depreciation for the year | 4,608 | 1,541 | 6,149 |
| Disposal | – | (967) | (967) |
| At December 31, 2023 | 36,470 | 3,372 | 39,842 |
| Carrying amount: | | | |
| At December 31, 2023 | 227,277 | 2,952 | 230,229 |
| At December 31, 2022 | 231,885 | 5,598 | 237,483 |

Land use rights relates to upfront payments made to acquire land leases in China.

At the end of the reporting period, land use rights with carrying amount of RMB73,064,000 (2022 : RMB74,782,000) are pledged to secure banking facilities granted to the subsidiaries.

## 14 SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Unquoted equity shares, at cost | 606,285 | 606,285 |
| Financial guarantee contracts | 1,850 | 1,850 |
| Amount due from subsidiaries | 306,244 | 306,244 |
| Total | 914,379 | 914,379 |

Amount due from subsidiaries is unsecured, interest-free and not expected to be repayable within one year and is considered to be equity in nature.

## 14 SUBSIDIARIES (CONT'D)

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in these financial statements.

Details of the subsidiaries are as follows:

| SUBSIDIARIES | COST OF INVESTMENTS | | EFFECTIVE EQUITY INTEREST AND VOTING POWER HELD | | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| | RMB'000 | RMB'000 | % | % | | |
| Held by Company: | | | | | | |
| Sunpower International Holding (Singapore) Pte. Ltd. | 606,285 | 606,285 | 100.0 | 100.0 | Singapore | Investment holding. |
| Sun Superior Holding Pte. Ltd. | * | * | 100.0 | 100.0 | Singapore | Investment holding. |
| Held by subsidiaries: | | | | | | |
| Changle Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Investment in clean energy business related activities. |
| Changyi Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Investment in clean energy business related activities. |
| Changshu Suyuan Thermal Power Co., Ltd.(Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) | – | – | 90.0 | 90.0 | PRC | Provision of heat and electricity to enterprises. |
| Dingyuan Sunpower Clean Energy Co., Ltd.(Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Fuzhou Sunpower Jiaoneng Thermal Power Co.,Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 70.0 | 70.0 | PRC | Heat and electricity production and supply |
| Gaoyang Changrun Heat Supply Co., Ltd. (Shares held by Hebei Changrun Environmental Ltd.) | – | – | 100.0 | 100.0 | PRC | Supply of heat and electricity. |

## 14 SUBSIDIARIES (CONT'D)

| SUBSIDIARIES | COST OF INVESTMENTS | | EFFECTIVE EQUITY INTEREST AND VOTING POWER HELD | | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| | RMB'000 | RMB'000 | % | % | | |
| Held by subsidiaries: (cont'd) | | | | | | |
| Hebei Changrun Environmental Ltd.(Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Central heating and power generation. |
| Jiangsu Sunpower Electricity Sales Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd. and Zhangjiagang Yongxing Thermal Power Co., Ltd) | – | – | 100.0 | 100.0 | PRC | Provision of electricity |
| Jiangsu Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Investment in clean energy business related activities. |
| Jiangsu Sunpower Machinery Manufacture Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)[(1)] | – | – | – | 100.0 | PRC | Manufacture and sale of pressure vessels products. |
| Jiangsu Sunpower Smart Energy Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.) | – | – | 100.0 | 100.0 | PRC | Thermal production and supply |
| Jiangsu Sunpower Energy-saving and Environmental Protection Technology Research Institute Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.) | – | – | 100.0 | 100.0 | PRC | Energy-saving and Environmental Protection technology research |
| Lianshui Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. and Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 95.0 | 95.0 | PRC | Supply of steam, heat gas and electricity. |

## 14 SUBSIDIARIES (CONT'D)

| SUBSIDIARIES | COST OF INVESTMENTS | | EFFECTIVE EQUITY INTEREST AND VOTING POWER HELD | | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| | RMB'000 | RMB'000 | % | % | | |
| Held by subsidiaries: (cont'd) | | | | | | |
| Qingdao Xinyuan Thermal Power Co., Ltd.(Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 85.0 | 85.0 | PRC | Supply of steam, heat and electricity. |
| Qingdao Sunpower Thermal Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of steam to industrial enterprises and sale of electricity. |
| Quanjiao Sunpower Clean Energy Co. Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co. Ltd.) | – | – | 100.0 | 100.0 | PRC | Supply steam/ heat gas to enterprises. |
| Ruijin Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Shantou Sunpower Keying Thermal Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 51.0 | 51.0 | PRC | Supply of steam and electricity. |
| Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.) | – | – | 100.0 | 100.0 | PRC | Environment and new energy related business activities. |
| Suzhou Sunpower Smart New Energy Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of steam to industrial enterprises and sale of electricity. |
| Tongling Sunpower Clean Energy Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Wuhu Sunpower Clean Energy Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |

## 14 SUBSIDIARIES (CONT'D)

| SUBSIDIARIES | COST OF INVESTMENTS | | EFFECTIVE EQUITY INTEREST AND VOTING POWER HELD | | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| | RMB'000 | RMB'000 | % | % | | |
| Held by subsidiaries: (cont'd) | | | | | | |
| Xinjiang Sunpower Clean Energy Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Supply of heat and electricity. |
| Xintai Zhengda Thermoelectric Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) | – | – | 86.9 | 86.9 | PRC | Provision of steam and heat and sale of electricity. |
| Xuzhou Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Yihuang Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Yueyang Sunpower Clean EnergyCo., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of heat and electricity to enterprises. |
| Zhangjiagang Yongxing Thermal Power Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 100.0 | 100.0 | PRC | Provision of steam to industrial enterprises and sale of electricity. |
| Zhoukou Sunpower Clean Energy Co., Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) | – | – | 51.0 | 51.0 | PRC | Provision of steam to industrial enterprises and sale of electricity. |
| Xuzhou Sunpower Thermal Power Co., Ltd. | – | – | 100.0 | – | PRC | Provision of heat and electricity to enterprises. |

* Cost of investment amounted to S$1.00 (equivalent to RMB5.07).
(1) Struck off in 2023.

The Company and subsidiaries are audited/reviewed by Deloitte Touche Tohmatsu CPA LLP, Nanjing Branch for consolidation purposes.

## 14 SUBSIDIARIES (CONT'D)

Information about the composition of the Group at the end of the financial year is as follows:

| PRINCIPAL ACTIVITY | PLACE OF INCORPORATION AND OPERATION | NUMBER OF SUBSIDIARIES | |
|---|---|---|---|
| | | 2023 | 2022 |
| Held by Company: | | | |
| Investment holding | Singapore | 2 | 2 |
| Held by subsidiaries: | | | |
| Manufacture and sales of pressure vessels products | PRC | – | 1 |
| Central heating and power generation | PRC | 1 | 1 |
| Environment and new energy-related business activities | PRC | 4 | 4 |
| Provision of design, consultancy and technology services | PRC | 1 | 1 |
| Supply of steam/heat/electricity | PRC | 23 | 23 |
| | | 31 | 32 |

## 14 SUBSIDIARIES (CONT'D)

Details of subsidiaries with material non-controlling interest

The table below shows details of non-wholly owned subsidiaries of the Group with material non-controlling interest:

| NAME OF SUBSIDIARIES | PLACE OF INCORPORATION AND OPERATION | PROPORTION OF OWNERSHIP INTERESTS AND VOTING RIGHTS HELD BY NON-CONTROLLING INTERESTS | | PROFIT (LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS | | ACCUMULATED NON-CONTROLLING INTERESTS | |
|---|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | % | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Shantou Sunpower Keying Thermal Power Co., Ltd | PRC | 49.0 | 49.0 | 92,132 | 54,168 | 320,887 | 228,755 |
| Qingdao Xinyuan Thermal Power Co., Ltd | PRC | 15.0 | 15.0 | 54 | (2,127) | 34,482 | 34,428 |
| Xintai Zhengda Thermoelectric Co.,Ltd | PRC | 13.1 | 13.1 | (367) | (3,162) | 20,879 | 21,246 |
| Changshu Suyuan Thermal Power Co., Ltd | PRC | 10.0 | 10.0 | 796 | (818) | 33,300 | 32,504 |
| Individually immaterial subsidiaries with non-controlling interests | | | | 89 | (64) | 2,681 | 2,592 |
| | | | | 92,704 | 47,997 | 412,229 | 319,525 |

## 14 SUBSIDIARIES (CONT'D)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | SHANTOU SUNPOWER KEYING THERMAL POWER CO., LTD | | QINGDAO XINYUAN THERMAL POWER CO., LTD | |
|---|---|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Current assets | 533,071 | 530,576 | 190,748 | 199,670 |
| Non-current assets | 1,315,247 | 1,379,870 | 198,271 | 241,937 |
| Current liabilities | (397,380) | (542,054) | (138,385) | (115,987) |
| Non-current liabilities | (796,066) | (901,549) | (20,756) | (96,404) |
| Equity attributable to owners of the Company | 333,985 | 238,088 | 195,396 | 194,788 |
| Non-controlling interests | 320,887 | 228,755 | 34,482 | 34,428 |
| Revenue | 1,235,115 | 1,284,264 | 195,196 | 183,694 |
| Expenses | (1,047,091) | (1,173,717) | (194,836) | (198,726) |
| Profit (Loss) for the year, representing total comprehensive (loss) income for the year | 188,024 | 110,547 | 360 | (15,032) |
| *Profit (Loss) attributable to owners of the Company* | 95,892 | 56,379 | 306 | (12,905) |
| Profit (Loss) attributable to the non-controlling interests | 92,132 | 54,168 | 54 | (2,127) |
| Profit (Loss) for the year | 188,024 | 110,547 | 360 | (15,032) |
| Total comprehensive (loss) income attributable to owners of the Company | 95,892 | 56,379 | 306 | (12,905) |
| Total comprehensive (loss) income attributable to the non-controlling interests | 92,132 | 54,168 | 54 | (2,127) |
| Total comprehensive (loss) income for the year | 188,024 | 110,547 | 360 | (15,032) |
| Net cash inflow from operating activities | 219,703 | 210,555 | 29,734 | 52,472 |
| Net cash outflow from investing activities | (95,773) | (139,186) | (54,675) | (23,720) |
| Net cash (outflow) inflow from financing activities | (146,952) | (17,448) | 8,932 | 51,744 |
| Net cash (outflow) inflow | (23,022) | 53,921 | (16,009) | 80,496 |

## 14 SUBSIDIARIES (CONT'D)

| | XINTAI ZHENGDA THERMOELECTRIC CO., LTD | | CHANGSHU SUYUAN THERMAL POWER CO., LTD | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 (RESTATED) | RMB'000 | RMB'000 |
| Current assets | 334,624 | 261,061 | 70,181 | 76,601 |
| Non-current assets | 773,474 | 784,227 | 412,805 | 347,452 |
| Current liabilities | (592,833) | (588,915) | (90,065) | (117,351) |
| Non-current liabilities | (355,886) | (300,783) | (59,925) | (61,460) |
| Equity attributable to owners of the Company | 138,500 | 134,344 | 299,708 | 212,738 |
| Non-controlling interests | 20,879 | 21,246 | 33,300 | 32,504 |
| Revenue | 345,045 | 367,762 | 181,341 | 171,003 |
| Expenses | (347,847) | (391,896) | 173,381 | (175,882) |
| (Loss) Profit for the year | (2,802) | (24,134) | 7,960 | (4,879) |
| Other comprehensive (loss) income | (226) | (179) | 30 | – |
| Total comprehensive (loss) income for the year | (3,028) | (24,313) | 7,990 | (4,879) |
| *(Loss) Profit attributable to owners of the Company* | (2,435) | (20,972) | 7,164 | (4,061) |
| (Loss) Profit attributable to the non-controlling interests | (367) | (3,162) | 796 | (818) |
| (Loss) Profit for the year | (2,802) | (24,134) | 7,960 | (4,879) |
| Total comprehensive (loss) income attributable to owners of the Company | (2,631) | (21,128) | 7,194 | (4,061) |
| Total comprehensive (loss) income attributable to the non-controlling interests | (397) | (3,185) | 796 | (818) |
| Total comprehensive (loss) income for the year | (3,028) | (24,313) | 7,990 | (4,879) |
| Net cash (outflow) inflow from operating activities | (81,164) | 16,191 | 8,972 | 22,616 |
| Net cash outflow from investing activities | (11,258) | (17,263) | (2,941) | (5,368) |
| Net cash inflow (outflow) from financing activities | 126,071 | 776 | (11,444) | (7,786) |
| Net cash inflow (outflow) | 33,649 | (296) | (5,413) | 9,462 |

## 15 ASSOCIATES

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Unquoted equity shares | 48,566 | 48,566 |
| Share of post-acquisition results | 10,383 | 5,321 |
| | 58,949 | 53,887 |

Details of the associates are as follows:

| NAME OF ASSOCIATE | PRINCIPAL ACTIVITIES/PLACE OF INCORPORATION AND OPERATION | EFFECTIVE INTEREST AND VOTING POWER HELD | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | % | % |
| Jining Mining Industry Sunpower Clean Energy Development Co., Ltd [(1)] | New energy development and utilisation business activities/PRC. | 49.0 | 49.0 |
| Suzhou Green Bright Renewable Energy Co., Ltd. [(2)] | New energy development and utilisation business activities/PRC. | 28.0 | 28.0 |

(1) Audited by Zhongxi CPAS (Special General Partnership), PRC. Not material for Group's consolidation purposes.

(2) Not material for Group's consolidation purpose.

In 2022, the Group injected its share of the additional capital to the associates for a total cash consideration of RMB31,476,000. There is no change in the effective interest and voting power held by the Group.

The following summarised financial information of Jining Mining Industry Sunpower Clean Energy Development Co.,Ltd. is presented before intragroup eliminations:

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Current assets | 26,661 | 32,329 |
| Non-current assets | 162,365 | 145,080 |
| Current liabilities | (22,216) | (17,640) |
| Non-current liabilities | (75,159) | (81,722) |
| Net assets | 91,651 | 78,047 |
| Group's share of associates' net assets | 44,909 | 38,243 |

## 15 ASSOCIATES (CONT'D)

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | 67,601 | 54,188 |
| Profit for the year | 13,604 | 5,725 |
| Group's share of associates' profit for the year | 6,666 | 2,805 |

The following summarised financial information of Suzhou Green Bright renewable energy Co., Ltd. presented before intragroup eliminations:

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Current assets | 1,453 | 16,981 |
| Non-current assets | 188,937 | 72,558 |
| Current liabilities | (3,423) | (386) |
| Non-current liabilities | (136,826) | (33,283) |
| Net assets | 50,141 | 55,870 |
| Group's share of associates' net assets | 14,039 | 15,644 |

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | – | – |
| Loss for the year | (5,728) | (4,130) |
| Group's share of associates' loss for the year | (1,604) | (1,156) |

## 16 INTANGIBLE ASSETS

| GROUP | TECHNICAL KNOW-HOW | SERVICE CONCESSION ARRANGEMENTS | LICENSES | TOTAL |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | |
| At January 1, 2022 | 96 | 3,488,158 | 623,316 | 4,111,570 |
| Additions | – | 630,235 | 4,613 | 634,848 |
| At December 31, 2022 | 96 | 4,118,393 | 627,929 | 4,746,418 |
| Additions | – | 136,609 | – | 136,609 |
| Transfer from PPE | – | 63,937 | – | 63,937 |
| At December 31, 2023 | – | 4,318,939 | 627,929 | 4,946,964 |
| Accumulated amortisation: | | | | |
| At January 1, 2022 | 96 | 222,705 | 53,723 | 276,524 |
| Amortisation for the year | – | 129,217 | 17,869 | 147,086 |
| At December 31, 2022 | 96 | 351,922 | 71,592 | 423,610 |
| Transfer from PPE | – | 301 | – | 301 |
| Amortisation for the year | – | 169,407 | 17,869 | 187,276 |
| At December 31, 2023 | 96 | 521,630 | 89,461 | 611,187 |
| Carrying amount: | | | | |
| At December 31, 2023 | – | 3,797,309 | 538,468 | 4,335,777 |
| At December 31, 2022 | – | 3,766,471 | 556,337 | 4,322,808 |

At the end of the reporting period, service concession arrangements with carrying amount of RMB1,682,140,000 (2022 : RMB1,429,110,000) are pledged to secure loans granted to the Group.

The Group entered into service concession agreements with the local government authorities (the "Grantors"), pursuant to the construction and operation of centralised steam and electricity facilities during the concession period of up to 38.5 years, starting from the commencement date of commercial operation.

Revenue from service concession agreements (Note 27) represents the revenue recognised during the construction stage. The material accounting policies and the significant accounting estimates relating to service concession arrangements are set out on Notes 2 and 3.2(a) to the financial statements respectively.

## 16 INTANGIBLE ASSETS (CONT'D)

Service concession arrangements comprise the following:

| NAME OF SUBSIDIARY AS OPERATOR | NAME OF PROJECT | LOCATION IN PRC | NAME OF GRANTOR | TYPE OF SERVICE CONCESSION AGREEMENT | SERVICE CONCESSION PERIOD |
|---|---|---|---|---|---|
| Quanjiao Sunpower Clean Energy Co., Ltd.) | Quanjiao | Anhui Quanjiao Economic Development Zone, Chuzhou City | Administration Commission of Quanjiao Economic Development Zone | BOT | 30 years |
| Hebei Changrun Environmental Ltd. | Changrun | Hebei Gaoyang Economic Development Zone | Administration Commission of Hebei Gaoyang Economic Development Zone | BOT | 30 years |
| Lianshui Sunpower Clean Energy Co., Ltd. | Lianshui | Lianshui Economic Development Zone | Administration Commission of Jiangsu Lianshui Economic Development Zone | BOT | Not more than 30 years from year 2016 |
| Shantou Sunpower Keying Thermal Power Co., Ltd. | Shantou | Guangdong Shantou Chaonan Zone | Environmental Protection Comprehensive Management Center of Chaonan District, Shantou City for Textile Printing & Dyeing | BOT | 38.5 years |
| Xintai Zhengda Thermoelectric Co., Ltd. | Xintai | Xintai Xinpu District | Subdistrict office of Xintai Xinpu District | BOT | 30 years |
| Xuzhou Sunpower Clean Energy Co., Ltd. | Tongshan | Xuzhou Tongshan District | Government of Xuzhou Tongshan Disctrict | BOT | 30 years |
| Xinjiang Sunpower Clean Energy Co., Ltd | Xinjiang | Shanxi Xinjiang | Government of Xin Jiang District | BOT | 30 years |
| Qingdao Xinyuan Thermal Power Co., Ltd. | Xinjiang | Qingdao Xinyuan | Jimo International Mall Management Committee | BOT | 30 years |

## 17 DEFERRED TAX ASSETS (LIABILITIES)

| | GROUP | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| (a) Deferred tax assets | | |
| At beginning of year | 31,932 | 24,301 |
| Credit to profit or loss | 2,033 | 7,454 |
| Credit to other comprehensive income for the year | 45 | 177 |
| At end of year | 34,010 | 31,932 |

## 17 DEFERRED TAX ASSETS (LIABILITIES) (CONT'D)

(a) Deferred tax assets (cont'd)

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting period:

| | LOSS ALLOWANCE | ALLOWANCE FOR INVENTORIES | GOVERNMENT GRANT RELATED ASSETS | TAX LOSS | ACCRUED EXPENSES | PRC WITHHOLDING TAX | FAIR VALUE CHANGE ON INVESTMENT IN EQUITY INSTRUMENTS | FAIR VALUE CHANGE ON INVESTMENT IN DEBT INSTRUMENTS | BOT COMMISSION | OTHERS | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2022 | 1,167 | 440 | 10,352 | 11,653 | – | – | 395 | 294 | – | – | 24,301 |
| Credit (Charge) to profit or loss for the year | 389 | – | (297) | 7,362 | – | – | – | – | – | – | 7,454 |
| Credit to other comprehensive income for the year | – | – | – | – | – | – | 60 | 117 | – | – | 177 |
| At December 31, 2022 | 1,556 | 440 | 10,055 | 19,015 | – | – | 455 | 411 | – | – | 31,932 |
| Credit (Charge) to profit or loss for the year | 4,136 | 41 | 4,337 | (6,481) | – | – | – | – | – | – | 2,033 |
| Credit to other comprehensive income for the year | – | – | – | – | – | – | 76 | (31) | – | – | 45 |
| At December 31, 2023 | 5,692 | 481 | 14,392 | 12,534 | – | – | 531 | 380 | – | – | 34,010 |

## 17 DEFERRED TAX ASSETS (LIABILITIES) (CONT'D)

(a) Deferred tax assets (cont'd)

The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred. The deferred tax amount of tax losses carryforwards that will expire in the next 5 years are as follows:

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| In 1 year | – | 2,542 |
| In 2 years | – | – |
| In 3 years | – | 60 |
| In 4 years | 6,314 | 8,988 |
| In 5 years | 3,588 | 7,362 |

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| (b) Deferred tax liabilities | | |
| At beginning of year | 225,666 | 219,498 |
| (Credit) Charge to profit or loss | (8,206) | 6,168 |
| At end of year | 217,460 | 225,666 |

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting period:

| | PRC WITHHOLDING TAX | FAIR VALUE GAIN ON ASSETS ACQUIRED THROUGH ACQUISITION OF SUBSIDIARIES | PORTION OF CONSTRUCTION MARGIN FOR BOT PROJECT YET TO BE SUBJECT TO CURRENT TAX | ACCELERATED TAX DEPRECIATION | TOTAL |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2022 | 6,859 | 193,578 | 15,249 | 3,812 | 219,498 |
| Charge (Credit) to profit or loss for the year | 2,007 | (1,592) | 2,209 | 3,544 | 6,168 |
| At December 31, 2022 | 8,866 | 191,986 | 17,458 | 7,356 | 225,666 |
| (Credit) Charge to profit or loss for the year | (7,188) | (985) | 393 | (426) | (8,206) |
| At December 31, 2023 | 1,678 | 191,001 | 17,851 | 6,930 | 217,460 |

The PRC withholding tax relates to the estimated amount of retained earnings that the Group may remit out of PRC to pay expenses or dividends. No deferred tax liability is recognised on temporary differences of approximately RMB94,200,000 (2022 : RMB79,794,000) relating to the remaining unremitted earnings of RMB1,884,009,000 (2022 : RMB1,595,888,000) of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable they will not reverse in the foreseeable future. Temporary difference arising in connection with interest in associate is insignificant.

## 18 GOODWILL

Goodwill is allocated to each cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Hebei Changrun Environmental Ltd. | 5,483 | 5,483 |
| Qingdao Xinyuan Thermal Power Co., Ltd. | 20,423 | 20,423 |
| Zhangjiagang Yongxing Thermal Power Co., Ltd | 309,863 | 309,863 |
| Changshu Suyuan Thermal Power Co., Ltd | 79,813 | 79,813 |
| | 415,582 | 415,582 |

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units, are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and expected order book and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Expected order book and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next five years using an average discount rate ranging from 9.5% to 11% (2022 : 9.5% to 11%) and terminal growth rate ranging from Nil% to 2% (2022 : Nil% to 2%) per annum.

*Sensitivity analysis*

Management estimates that any reasonable changes in the estimates and assumptions used in the discontinued cash flow model would not change the conclusion on the goodwill impairment assessment as the recoverable amount is still higher than the carrying amount of goodwill.

## 19 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| Trade: | | | | |
| Outside parties | 189,777 | 353,611 | – | – |
| Related parties (Note 5) | 72,230 | 258,014 | – | – |
| Notes payables | 118,114 | 179,187 | – | – |
| Contract liabilities | 57,454 | 49,096 | – | – |
| Non-trade: | | | | |
| Related parties (Note 5) | 24,262 | 19,939 | – | – |
| Outside parties | 90,714 | 74,064 | 25,479 | 22,056 |
| Accruals and other liabilities | 29,884 | 28,816 | – | – |
| Accruals for payroll | 61,014 | 45,053 | 16,338 | 15,173 |
| Value-added taxes and other tax liabilities | 7,546 | 7,497 | – | – |
| Government grants received yet to be applied pending satisfaction of conditions | 61,901 | 129,546 | – | – |
| Subsidiaries (Note 5) | – | – | 447,073 | 393,875 |
| Total | 712,896 | 1,144,823 | 488,890 | 431,104 |

As at January 1, 2022, contract liabilities amounted to RMB65,351,000.

The average credit period for purchases of goods and services is 90 days (2022 : 180 days).

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date. In addition, advance payments from customers for utilities are also included in contract liabilities.

The non-trade amounts due to subsidiaries and related parties are unsecured, interest-free and repayable on demand.

Government grants were received mainly in relation to the Group's environmental protection initiatives in combating pollution. The deferred income will be recognised in profit or loss over the period ranging from 3 to 5 years, depending on the fulfilment condition of the grant.

## 20 BORROWINGS

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Bank loans | 3,383,326 | 3,342,975 |
| Presentation in statement of financial position: | | |
| Current liabilities payable within one year | 1,191,484 | 918,485 |
| Non-current liabilities | 2,191,842 | 2,424,490 |
| Total | 3,383,326 | 3,342,975 |

The bank loans are:

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Secured by building and land use rights of the subsidiary and guaranteed by the Company | 327,782 | 378,262 |
| Secured by building and land use rights of the subsidiary and guaranteed by other subsidiaries | 979,732 | 566,043 |
| Secured by service concession arrangement of the subsidiary and guaranteed by other subsidiaries | 1,234,441 | 1,656,823 |
| Secured by pledged bank deposit and guaranteed by other subsidiaries | 76,000 | 179,000 |
| Guaranteed by another subsidiary | 509,750 | 288,000 |
| Guaranteed by the Company and another subsidiary | 255,621 | 274,847 |
| Total | 3,383,326 | 3,342,975 |

The bank loans bear effective interest rate of 1.20% - 8.00% (2022 : 3.50% - 7.82%) per annum.

## 20 BORROWINGS (CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | | | NON-CASH CHANGES | | | |
|---|---|---|---|---|---|---|
| | JANUARY 1, 2023 | FINANCING CASH FLOWS (ii) | FAIR VALUE CHANGES (NOTE 21) (i) | FOREIGN EXCHANGE MOVEMENT (i) | OTHER CHANGES (iii) | DECEMBER 31, 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Borrowings (Note 20) | 3,342,975 | 40,351 | – | – | – | 3,383,326 |
| Convertible bonds (Note 21) | 892,707 | – | – | 14,895 | 66,243 | 973,845 |
| Lease liabilities (Note 22) | 5,830 | (1,490) | – | – | (1,368) | 2,972 |
| | 4,241,512 | 37,493 | – | 14,895 | 66,243 | 4,360,143 |

| | | | NON-CASH CHANGES | | | |
|---|---|---|---|---|---|---|
| | JANUARY 1, 2022 | FINANCING CASH FLOWS (ii) | FAIR VALUE CHANGES (NOTE 21) (i) | FOREIGN EXCHANGE MOVEMENT (i) | OTHER CHANGES (iii) | DECEMBER 31, 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Borrowings (Note 20) | 2,736,732 | 606,243 | – | – | – | 3,342,975 |
| Convertible bonds (Note 21) | 909,727 | (14,761) | (150,656) | 72,695 | 75,702 | 892,707 |
| Lease liabilities (Note 22) | 7,158 | (1,465) | – | – | 137 | 5,830 |
| | 3,653,617 | 590,017 | (150,656) | 72,695 | 75,839 | 4,241,512 |

(i) The fair value changes are related to derivative liability component of convertible bonds recognised at fair value. The fair value change on Tranche 1 convertible bonds issed on March 3, 2017 ("CB1") amounting to US$110 million and Tranche 2 convertible bonds issued on October 15, 2018 ("CB2") amounting to US$20 million is RMB Nil during the year (2022 : RMB138,048,000 and RMB12,608,000, respectively). Foreign exchange movement is related to depreciation (appreciation) of RMB against US$, for convertible bonds denominated in US$ (Note 21).

(ii) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(iii) Other changes include interest accruals and payments and new lease liabilities.

## 21 CONVERTIBLE BONDS

| | GROUP AND COMPANY | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Debt host liability component, at amortised cost | 973,845 | 892,707 |

On March 3, 2017, the Company issued convertible bonds ("CB1") amounting to US$110 million and these are convertible into new shares at an initial conversion price of S$0.50 per share.

In 2018, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to US$70 million Tranche 2 convertible bond ("CB2") with an initial conversion price of S$0.60 per share, together with warrants exercisable at an aggregate amount of US$30 million.

On October 15, 2018, the Company issued US$20 million of CB2.

Both CB1 and CB2 will otherwise bear interest of 2.5% per annum until the maturity date. The Group is required to achieve performance targets calculated based on its audited adjusted profit after taxation and minority interest ("Adjusted PATMI") (excluding fair value gain and losses of the CB and non-recurring income from the sale of assets and businesses and other mutually agreed accounting adjustments) ("Performance Targets"), otherwise adjustments will be made to the conversion price accordingly.

On December 30, 2020, the Company entered into an addendum agreement to defer the maturity date of CB1 and CB2 to March 3, 2023 as well as to revise the Performance Targets to encompass the change in business structure after the disposal of the M&S Segment. The terms to the addendum agreement were effective on June 18, 2021 upon certain conditions, of which, were contingent upon the successful disposal of the M&S Segment. The disposal was approved by the shareholders on April 16, 2021.

Pursuant to the disposal of the M&S Segment, a proposed special dividend approved by the shareholders on April 16, 2021 was also made to both the shareholders and bondholders. RMB403,315,000 was paid to the bondholders during the year ended December 31, 2021.

In 2022, the maturity date of CB1 and CB2 which was initially on March 3, 2023, is elected by the bondholders to be the 15th Business Day after the date on which the Group's audited financial statements the financial year ended December 31, 2022 are issued.

On March 24, 2023, the Group and the Investors entered into an amendment agreement (the "2023 Amendment Agreement") which extended the maturity date of the CBs to April 3, 2025. The conversion price of convertible bonds will remain at S$0.50 for CB1 and S$0.60 for CB2 and will no longer subject to the Group's performance target on adjusted profit after taxation and minority interests. The final redemption balance is subject to certain criterias.

Due to the amendment agreement, terms of the bond has been substantially modified and hence it will be accounted for as an extinguishment of the original liability and recognition of the new liability and the convertible feature will be classified as equity. As disclosed in Note 3.2 (e), management is of the view that the fair value of the revised convertible bond approximates the carrying amount of the previous convertible bond as the revised terms are negotiated with third party bondholders based on market terms. The Group had not adjusted for the fair value of the conversion feature as management is of the view that it is not material.

## 21 CONVERTIBLE BONDS (CONT'D)

Reconciliation of the carrying value of the convertible bonds is as follow:

| | GROUP AND COMPANY | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| **CB1** | | |
| Nominal value of CB issued | 757,856 | 757,856 |
| Less: Transaction costs | (26,342) | (26,342) |
| Net value of CB issued | 731,514 | 731,514 |
| Foreign exchange gain | 28,204 | 15,622 |
| Cumulative interest accrued (Note 30) | 591,750 | 512,727 |
| Cumulative fair value gain on CB | (404,025) | (404,025) |
| Total | 947,443 | 855,838 |
| Less: Interest payables included in accruals (Note 19) | (19,846) | (19,424) |
| Less: Interest paid to bondholders | (101,442) | (82,357) |
| Balance at end of year | 826,155 | 754,057 |
| **CB2** | | |
| Nominal value of CB issued | 138,285 | 138,285 |
| Less: Transaction costs | (15,000) | (15,000) |
| Net value of CB issued | 123,285 | 123,285 |
| Foreign exchange gain | 4,291 | 1,978 |
| Cumulative interest accrued (Note 30) | 75,662 | 65,388 |
| Cumulative fair value gain on CB | (38,872) | (38,872) |
| Total | 164,366 | 151,779 |
| Less: Interest payables included in accruals (Note 19) | (3,470) | (3,393) |
| Less: Interest paid to bondholders | (13,206) | (9,736) |
| Balance at end of year | 147,690 | 138,650 |

The interest accrued is calculated by applying an effective interest rate of 6.91% - 10.06% (2022 : 8.19% - 8.85%) per annum to the liability component.

Management estimates that the carrying amount of the liability component of CB1 and CB2 as at December 31, 2023 and 2022 approximates its fair value.

## 22 LEASE LIABILITIES

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Maturity analysis: | | |
| Year 1 | 1,357 | 1,914 |
| Year 2 | 1,357 | 1,914 |
| Year 3 | 452 | 1,914 |
| Year 4 | – | 637 |
| | 3,166 | 6,379 |
| Less: Future interest payments | (194) | (549) |
| | 2,972 | 5,830 |
| Analysed as: | | |
| Current | 1,235 | 1,646 |
| Non-Current | 1,737 | 4,184 |
| | 2,972 | 5,830 |

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

## 23 SHARE CAPITAL

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | NUMBER OF ORDINARY SHARES OF US$0.01 EACH | | | |
| | '000 | '000 | US$'000 | US$'000 |
| Authorised share capital: | | | | |
| At beginning of the year and end of the year | 2,300,000 | 2,300,000 | 23,000 | 23,000 |
| | NUMBER OF ORDINARY SHARES | | | |
| | '000 | '000 | RMB'000 | RMB'000 |
| Issued and fully paid up: | | | | |
| At the beginning of the year and end of the year | 795,686 | 795,686 | 57,662 | 57,662 |

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

## 24 GENERAL RESERVES

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Capital reserve: | | |
| At the beginning and end of the year | 14,867 | 14,867 |
| Statutory surplus reserve fund: | | |
| At the beginning of the year | 220,716 | 167,188 |
| Transfer during the year from retained earnings | 47,737 | 53,528 |
| Others | 683 | – |
| At the end of the year | 269,136 | 220,716 |
| Enterprise expansion fund: | | |
| At the beginning and at the end of the year | 4,098 | 4,098 |
| Total | 288,101 | 239,681 |

Capital reserves represents effects of changes in ownership interests in a subsidiary when there is no change in control (Note 14).

Companies in PRC are required by regulation to appropriate 10% of annual PRC accounting profit to the reserve fund until the reserve reaches 50% of the registered capital. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital. The reserve is not available for distribution as dividends to shareholders.

Appropriation from the PRC accounting profit to the enterprise expansion fund is at the discretion of the Company at rates determined by the Company. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

## 25 SHARE OPTION RESERVE

| | GROUP AND COMPANY | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | NUMBER OF SHARE OPTIONS | EXERCISE PRICE | NUMBER OF SHARE OPTIONS | EXERCISE PRICE |
| | ('000) | RMB | ('000) | RMB |
| Outstanding at the beginning and end of the year | 1,191 | 1.27 | 1,191 | 1.27 |

A total of 59,220,000 shares options were granted on May 19, 2015 under the Sunpower Employee Share Option Scheme 2015 ("2015 ESOS") which was approved by shareholders on April 29, 2015. Group Employees, Executive Directors, Non-Executive Directors, Controlling Shareholders and their Associates (all as defined in 2015 ESOS) can participate in the 2015 ESOS.

## 25 SHARE OPTION RESERVE (CONT'D)

Subject to the absolute discretion of the Remuneration Committee, Controlling Shareholders and their Associates (as defined in the circular to the shareholders dated April 6, 2015) are eligible to participate in the 2015 ESOS, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of independent shareholders in a general meeting by a separate resolution as provided for in the circular to shareholders.

The aggregated options outstanding were 1,191,000, of which 1,000,000 with exercise price S$0.308 (approximately RMB1.596) and 191,000 with exercise price S$0.116 (approximately RMB0.601) and all exerciseable up to May 19, 2025. These share options are exercisable at any time 2 years after the date of grant. Any unexercised options will expire 10 years from date of grant. Options are forfeited if the grantee leaves the Group before the options vest.

Of the 59,220,000 share options granted, 5,922,000 share options were granted to Mr. Guo Hong Xin, Executive Director of the Company; 8,968,000 share options were granted to Mr. Ma Ming, Executive Director of the Company; and the remaining 44,330,000 share options were granted to Group Employees.

The estimated fair value of options granted to Mr. Guo and Mr. Ma was S$0.052 (equivalent to RMB0.24) and the estimated fair value of options granted to Group Employees was S$0.0604 (equivalent to RMB0.28).

These fair values were calculated using the Binomial model with inputs as follow:

| | MR. GUO AND MR. MA | GROUP EMPLOYEES |
|---|---|---|
| Weighted average share price (RMB) | 0.67 | 0.67 |
| Weighted average exercise price (RMB) | 0.53 | 0.53 |
| Expected volatility | 38.89% | 44.44% |
| Expected life | 3 years | 5 years |
| Risk free rate | 0.98% | 1.56% |
| Expected dividend yield | 0.68% | 0.68% |

Expected volatility for options granted to Mr. Guo, Mr. Ma; and to Group Employees were determined by calculating the historical volatility of the Company's share price over the past 3 and 5 years prior to the date of grant of May 19, 2015 respectively.

## 26 REVALUATION RESERVE

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of:

(i) investments in equity instruments designated as at FVTOCI, and

(ii) investments in debt instruments classified as at FVTOCI.

**Movements in investments revaluation reserve**

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Balance at beginning of year | (1,706) | (1,209) |
| Fair value loss on investments in equity instruments designated as at FVTOCI | (226) | (497) |
| Fair value loss on investments in debt instruments classified as at FVTOCI | 98 | – |
| Balance at end of year | (1,834) | (1,706) |

## 27 REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 39).

A disaggregation of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

| | GROUP | |
|---|---|---|
| | **2023** | **2022** |
| | **RMB'000** | **RMB'000** |
| **Segment revenue** | | |
| Sales of goods | 62,009 | 74,509 |
| Revenue from service concession arrangements | 141,538 | 567,778 |
| Provision of utilities | 3,199,517 | 2,806,319 |
| Total | 3,403,064 | 3,448,606 |
| **Timing of revenue recognition** | | |
| At a point of time: | | |
| Sales of goods | 62,009 | 74,509 |
| Provision of utilities | 3,199,517 | 2,806,319 |
| | 3,261,526 | 2,880,828 |
| Over time: | | |
| Revenue from service concession arrangements | 141,538 | 567,778 |
| | 3,403,064 | 3,448,606 |

The following table shows the aggregate amount of the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as at the end of the reporting period.

| | GROUP | |
|---|---|---|
| | **2023** | **2022** |
| | **RMB'000** | **RMB'000** |
| Revenue from service concession arrangements | 56,227 | 65,480 |

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2023 will be recognised as revenue during the next reporting period amounting to RMB56,227,000.

## 28 OTHER OPERATING INCOME

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Government grants | 9,669 | 9,464 |
| Interest income | 6,753 | 3,377 |
| Reversal of impairment loss on pledged bank deposits | – | 3,000 |
| Gain on disposal of property, plant and equipment | 454 | 51 |
| Government rebates | 345 | 541 |
| Gain on quality indemnity and others | – | 4,683 |
| Others | 2,807 | 1,299 |
| Total | 20,028 | 22,415 |

## 29 OTHER OPERATING EXPENSES

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Exchange loss on convertible bonds | 14,895 | 72,276 |
| Impairment loss on trade and other receivables subject to ECL | 17,197 | 2,053 |
| Loss on disposal of property, plant and equipment | 1,026 | 6,087 |
| Loss on usage of emission right | 2,292 | 146 |
| Impairment allowance on property, plant and equipment | 2,116 | – |
| Others | 733 | 1,226 |
| Total | 38,259 | 81,788 |

## 30 FINANCE COSTS

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Interest expense on bank loans | 189,209 | 156,336 |
| Interest expense on convertible bonds (Note 21) | 89,297 | 75,702 |
| Interest expense on lease liabilities | 238 | 450 |
| Total | 278,744 | 232,488 |

## 31 PROFIT BEFORE INCOME TAX

(a) This has been arrived at after charging (crediting):

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Amortisation of intangible assets * | 187,276 | 147,086 |
| Depreciation of right-of-use assets | 6,149 | 7,144 |
| Depreciation of property, plant and equipment | 48,154 | 50,207 |
| Total depreciation and amortisation | 241,580 | 204,437 |
| Capitalised in intangible assets | (412) | (802) |
| | 241,168 | 203,635 |
| Audit fees: | | |
| - to auditors of the Company | 4,765 | 5,346 |
| Non-audit fees: | | |
| - to auditors of the Company | 243 | 226 |
| Cost of inventories sold included in cost of sales | 1,866,607 | 1,912,773 |
| Defined contribution plans | 21,309 | 19,796 |
| Directors' fees - Directors of the Company | 4,249 | 3,842 |
| Director's remuneration - Director of the Company | 18,543 | 12,708 |
| Foreign exchange loss on convertible bonds | 14,895 | 72,695 |
| Net loss on disposal of property, plant and equipment | 572 | 6,036 |
| Gain on disposal of subsidiaries | – | (12,820) |
| Research and development expenses | 42,375 | 29,354 |
| Salaries and wages | 223,687 | 145,575 |
| Reversal of impairment loss on pledged bank deposits | – | (3,000) |
| Impairment allowance on property, plant and equipment | 2,116 | – |
| Impairment loss on financial assets: | | |
| - Impairment loss on trade and other receivables subject to ECL* | 17,197 | 2,053 |

* included in other operating expenses.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year were as follows:

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Short-term benefits | 7,937 | 6,984 |
| Other staff benefits | 108 | 206 |
| Total | 8,045 | 7,190 |

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 32 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

| | GROUP | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Tax expense comprises: | | |
| Current tax expense | 85,458 | 47,584 |
| Deferred tax (Note 17) | (10,239) | (1,286) |
| Total tax expense | 75,219 | 46,298 |

The income tax expense varied from the amount of income tax expense determined by applying the PRC income tax rate of 25% (2022 : 25%) to profit before income tax as a result of the following differences:

| | GROUP | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Profit before income tax | 343,701 | 233,094 |
| Income tax expense calculated at PRC income tax rate of 25% | 85,926 | 58,274 |
| Tax effect of non-deductible items | 3,048 | 2,376 |
| Effect of different tax rates of entities operating in other jurisdictions | 34,898 | (3,587) |
| Effect of tax exemption and tax incentives | (40,438) | (9,065) |
| Tax effect of income not taxable for tax purpose | (2,583) | (412) |
| Temporary differences previously not recognised | (5,632) | (1,288) |
| Income tax expense | 75,219 | 46,298 |

(a) Shantou Sunpower Keying Thermal Power Co., Ltd.

The above subsidiary is foreign investment enterprises located in Shantou, Guangzhou Province, PRC, where the statutory tax rate is 25%. In 2019, Shantou Sunpower Keying Thermal Power Co., Ltd. received official approval for a preferential tax rate of 15%, for three years beginning 2019, under the "Pollution prevention" scheme, which was renewed for a further 2 years to December 31, 2023. In 2022, Shantou Sunpower Keying Thermal Power Co., Ltd. was accredited as a "New and High Technical Enterprise" for a term of three years from 2022 to 2025 and subject to a preferential tax rate of 15%.

## 33 EARNINGS PER SHARE

| | GROUP | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Earnings: | | |
| Profit attributable to equity holders of the Company | 175,733 | 138,799 |
| Financial effect of convertible bonds | – | (2,259) |
| | 175,733 | 136,540 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share ('000) | 795,686 | 795,686 |
| Effect of dilutive potential ordinary shares from share options and convertible bonds ('000) | – | 678,973 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000) | 795,686 | 1,474,659 |
| Basic earnings per share (RMB cents) | 22.09 | 17.44 |
| Diluted earnings per share (RMB cents) | 22.09 | 9.26 |

Financial effects of convertible bonds were not included as they are antidilutive in nature.

## 34 DIVIDENDS

In 2023, a first and final dividend of S$0.0013 per ordinary share totalling $1,034,000 (equivalent to RMB5,527,998) was paid to shareholders in respect on the financial year ended December 31, 2023.

There was no dividend declared or paid in 2022.

## 35 DISPOSAL OF SUBSIDIARIES

On October 27, 2022, the Group disposed its interet in the subsidiary Jiangsu Sunpower Energy-Saving Technology Co., Ltd.("Sunpower Energy-Saving").

The net assets of Sunpower Energy-Saving at the date of disposal were as follows:

| | TOTAL RMB'000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 29 |
| Other receivables, deposits and prepayments | 272 |
| Total current assets | 301 |
| **Non-current assets** | |
| Property, plant and equipment | 3,709 |
| Right-of-use assets | 2,223 |
| Total non-current assets | 5,932 |
| **Current liabilities** | |
| Trade payables | 1,117 |
| Advances from customers | 50 |
| Other payables | 15,447 |
| Total current liabilities | 16,614 |
| Net liabilities derecognised | 10,381 |
| **Consideration received:** | |
| Cash consideration received during the year | 600 |
| Cash consideration receivable | 1,400 |
| Gain on disposal: | |
| Cash consideration received during the year | 600 |
| Cash consideration receivable | 1,400 |
| Net assets derecognised | 10,381 |
| Non-controlling interest derecognised | 439 |
| | 12,820 |
| Net gain on disposal of subsidiaries | 12,820 |
| **Net cash inflow arising on disposal** | |
| Cash consideration received | 600 |
| Less: Cash and cash equivalents disposed of | (29) |
| | 571 |

## 36 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At December 31, 2023, the Group is committed to RMB121,000 (2022 : RMB33,000) for short-term leases or small value assets.

## 37 CAPITAL COMMITMENTS

| | GROUP | |
|---|---|---|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| For acquisition of intangible assets | 56,227 | 65,480 |

## 38 CONTINGENT LIABILITIES

The Group and the Company has contingent liabilities arising from guarantees given for bank loans as disclosed in Note 20.

## 39 SEGMENT INFORMATION

The Group determines its operating segments based on components of the Group's business which are reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

In 2021, The Group has disposed its Manufacturing & services ("M&S") segment. This segment included highly efficient heat exchangers and pressure vessels, heat pipes and heat pipe exchangers, pipeline energy saving products and related environmental protection products. This segment also provided solutions for flare and flare gas recovery system, desulphurisation and denitrification system, zero liquid discharge system, petrochemical engineering and energy saving system.

At the end of reporting period, Green investments ("GI") is the only business segment with the segmental analysis used to allocate resources and to assess performance. This segment focus on the investment, development and operation of centralised heat, steam and electricity generation plants.

The material accounting policies of the operating segments are the same as the Group's material accounting policies described in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, director's remuneration, interest income, foreign exchange gains and losses, income tax and finance costs at corporate level.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

## 39 SEGMENT INFORMATION (CONT'D)

***Geographical information***

The geographical location of the customers of the Group principally comprise the PRC.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associate, financial assets at fair value through other comprehensive income, deferred tax assets, commitment fee and "other" financial assets) by geographical location are detailed below:

| | REVENUE FROM EXTERNAL CUSTOMER | | NON-CURRENT ASSETS | |
|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| PRC | 3,403,064 | 3,448,606 | 5,644,435 | 5,741,062 |

**Information about major customers**

There is no single customer which contributes 10% or more of the revenue in 2023 and 2022, respectively.

# STATISTICS OF SHAREHOLDINGS

As at 8 March 2024

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 1 | 0.04 | 49 | 0.00 |
| 100 - 1,000 | 128 | 4.79 | 90,551 | 0.01 |
| 1,001 - 10,000 | 1,162 | 43.54 | 8,008,200 | 1.01 |
| 10,001 - 1,000,000 | 1,350 | 50.58 | 73,281,917 | 9.21 |
| 1,000,001 AND ABOVE | 28 | 1.05 | 714,305,425 | 89.77 |
| **TOTAL** | **2,669** | **100.00** | **795,686,142** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | HSBC (SINGAPORE) NOMINEES PTE LTD | 225,288,720 | 28.31 |
| 2 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 136,788,400 | 17.19 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 73,033,604 | 9.18 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 72,036,501 | 9.05 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 57,697,400 | 7.25 |
| 6 | MAYBANK SECURITIES PTE. LTD. | 37,908,400 | 4.76 |
| 7 | DB NOMINEES (SINGAPORE) PTE LTD | 30,000,000 | 3.77 |
| 8 | UOB KAY HIAN PRIVATE LIMITED | 22,094,600 | 2.78 |
| 9 | PHILLIP SECURITIES PTE LTD | 15,852,500 | 1.99 |
| 10 | RAFFLES NOMINEES (PTE.) LIMITED | 7,057,892 | 0.89 |
| 11 | LI FENG | 5,120,000 | 0.64 |
| 12 | TAN KAH BOH ROBERT@ TAN KAH BOO | 3,300,000 | 0.41 |
| 13 | HONG LEONG FINANCE NOMINEES PTE LTD | 3,203,900 | 0.40 |
| 14 | WATERWORTH PTE LTD | 2,600,000 | 0.33 |
| 15 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 2,596,400 | 0.33 |
| 16 | IFAST FINANCIAL PTE. LTD. | 2,048,000 | 0.26 |
| 17 | HENG WAH CHONG (WANG HEZONG) | 2,000,000 | 0.25 |
| 18 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 1,772,100 | 0.22 |
| 19 | TIGER BROKERS (SINGAPORE) PTE. LTD. | 1,740,100 | 0.22 |
| 20 | CHEN YAN FENG | 1,700,000 | 0.21 |
| | **TOTAL** | **703,838,517** | **88.44** |

# STATISTICS OF SHAREHOLDINGS

As at 8 March 2024

## SHARE CAPITAL

| | | |
|---|---|---|
| Authorised share capital | : | US$23,000,000 |
| Issued and fully paid-up | : | US$7,956,861.42 |
| Class of Shares | : | Ordinary shares of US$0.01 each |
| Number of Treasury Shares held | : | Nil |
| Number of subsidiary holdings held | : | Nil |
| Voting rights | : | One vote per share |

**Shareholdings Held in Hands of Public**

Based on information available to the Company as at 8 March 2024, 40.1% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

## SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2024

(According to Register of Substantial Shareholders)

| NAME OF SUBSTANTIAL SHAREHOLDER | DIRECT INTEREST | % | DEEMED INTEREST | % |
|---|---|---|---|---|
| 1. Guo Hong Xin[(1)] | – | – | 153,638,554 | 19.31 |
| 2. Ma Ming[(2)] | – | – | 137,509,737 | 17.28 |
| 3. Allgreat Pacific Limited[(3)] | 82,209,983 | 10.33 | 71,428,571 | 8.98 |
| 4. Claremont Consultancy Limited[(4)] | 66,081,166 | 8.30 | 71,428,571 | 8.98 |
| 5. Sunpower Business Group Pte. Ltd.[(3)] | 71,428,571 | 8.98 | – | – |
| 6. Tournan Trading Pte. Ltd.[(4)] | 71,428,571 | 8.98 | – | – |
| 7. Lin Yucheng | 100,000,000 | 12.67 | – | – |
| 8. Joyfield Group Limited | 66,154,120 | 8.38 | – | – |
| 9. Pan Shuhong[(5)] | 19,393,198 | 2.46 | 66,154,120 | 8.38 |

Notes:

(1) Mr Guo Hong Xin is (i) deemed to be interested in the 82,209,983 shares held by Allgreat Pacific Limited which is an investment holding company wholly owned by him, and (ii) deemed to be interested in the 71,428,571 shares held by Sunpower Business Group Pte. Ltd., which is an investment holding company wholly owned by Allgreat Pacific Limited, which is in turn wholly owned by him.

(2) Mr Ma Ming is (i) deemed to be interested in the 66,081,166 shares held by Claremont Consultancy Limited which is an investment holding company wholly owned by him, and (ii) deemed to be interested in the 71,428,571 shares held by Tournan Trading Pte. Ltd., which is an investment holding company wholly owned by Claremont Consultancy Limited, which is in turn wholly owned by him.

(3) Sunpower Business Group Pte. Ltd. is a wholly owned subsidiary of Allgreat Pacific Limited. Accordingly, Allgreat Pacific Limited is deemed to be interested in the 71,428,571 shares held by Sunpower Business Group Pte. Ltd.

(4) Tournan Trading Pte. Ltd. is a wholly owned subsidiary of Claremont Consultancy Limited. Accordingly, Claremont Consultancy Limited is deemed to be interested in the 71,428,571 shares held by Tournan Trading Pte. Ltd.

(5) Ms Pan Shuhong is deemed to be interested in the 66,154,120 shares held by Joyfield Group Limited which is wholly owned by her.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2024 Annual General Meeting of the Company will be held at Alpha-Bravo Rooms, Assembly Building, Level 1, JW Marriott Hotel Singapore South Beach, 30 Beach Road, Singapore 189763 on Thursday, 25 April 2024 at 10.00 a.m., for the purpose of transacting the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2023 together with the Directors' Statement and the Auditors' Report thereon. Resolution 1

2. To approve Directors' fees of S$788,898 for the financial year ended 31 December 2023. (2022: S$741,203) Resolution 2

3. To approve Directors' fees of S$60,581 for retiring Directors for the financial year ending 31 December 2024. *(See Explanatory Note)* Resolution 3

4. To re-elect Mr Yang Zheng, a Director retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company. *(See Explanatory Note)* Resolution 4

5. To re-elect Mr Wang Dao Fu, a Director retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company. *(See Explanatory Note)* Resolution 5

6. To note the retirement of the following Directors, who are retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company and Rule 210(5)(d)(iv) of the Listing Manual of Singapore Exchange Securities Trading Limited and would not be seeking re-election:

   (i) Mr Chin Sek Peng; and
   (ii) Mr Lau Ping Sum Pearce.

7. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. Resolution 6

## SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

8. That pursuant to Bye-Law 12(B) of the Bye-Laws of the Company and listing rules of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors be and are hereby authorised to: Resolution 7

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force

**PROVIDED THAT:**

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuant of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares if any at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, provided that the share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

Adjustments in accordance with the above Paragraph 2(i) is only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by the Bye-Laws to be held, whichever is the earlier. *(See Explanatory Note)*

9. That approval be and is hereby given to the Board of Directors of the Company to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the Sunpower Employee Share Option Scheme 2015 ("**ESOS**"), Resolution 8

**PROVIDED THAT** the aggregate nominal amount of shares over which the Remuneration Committee may grant options on any date, when added to the nominal amount of shares issued and issuable in respect of all options granted under the ESOS shall not exceed 15 percent of the issued share capital of the Company on the day immediately preceding the date of the relevant grant. *(See Explanatory Note)*

## OTHER BUSINESS

10. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

BY ORDER OF THE BOARD

**HO WUI MEE MARIAN**
Company Secretary

2 April 2024

**Explanatory Notes:**

**Resolution 3**

Resolution 3 relates to the payment of the Directors' fee for the period from 1 January 2024 to 25 April 2024 for Mr Chin Sek Peng and Mr Lau Ping Sum Pearce, who will retire as Directors at the forthcoming annual general meeting of the Company in light of Rule 210(5)(d)(iv) of the Listing Manual of Singapore Exchange Securities Trading Limited which states that a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing). SGX Regco amended Rule 210(5)(d)(iv) on 11 January 2023 to prescribe a nine-year tenure limit for independent directors which takes effect at the annual general meeting for the financial year ending on or after 31 December 2023.[1] Prior to the amendment, listed companies could continue to appoint a director as independent director beyond nine years, subject to a two-tier vote.[2]

**Resolution 4**

Mr Yang Zheng, a member of Audit Committee and a member of Nominating Committee, will continue to serve in these capacities if re-elected as a Director of the Company. Mr Yang is an Independent Director.

Detailed information of Mr Yang can be found under "Board of Directors" and "Additional Information on Directors seeking Re-Election" in the Company's Annual Report 2023.

**Resolution 5**

Mr Wang Dao Fu, Chairman of Nominating Committee and a member of Remuneration Committee, will continue to serve in these capacities if re-elected as a Director of the Company. Mr Wang is an Independent Director.

Detailed information of Mr Wang can be found under "Board of Directors" and "Additional Information on Directors seeking Re-Election" in the Company's Annual Report 2023.

**Resolution 7**

Resolution 7, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issued other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares and subsidiary holdings (if any)) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company at the time this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolutions passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

**Resolution 8**

Resolution 8, if passed, will empower the Board of Directors of the Company to allot and issue shares in the issued capital of the Company pursuant to the exercise of the options under the Sunpower Employee Share Option Scheme 2015 provided that the aggregate nominal amount of shares over which the options are granted does not exceed 15 percent of the issued share capital of the Company from time to time.

1 https://rulebook.sgx.com/rulebook/transitional-practice-note-4-transitional-arrangements-regarding-tenure-limit-independent#:~:text=1.3%20Rule%20210(5)(,general%20meeting%20of%20the%20issuer.

2 https://www.mas.gov.sg/news/media-releases/2023/mas-revises-the-code-of-corporate-governance

**Notes:**

(1) The shareholders of the Company are invited to attend physically at the annual general meeting ("**AGM**"). **There will be no option for shareholders to participate virtually.**

(2) Please bring along your NRIC/passport so as to enable the Company to verify your identity. The Company reserves the right to refuse admittance to the AGM if the attendee's identity cannot be verified accurately. Shareholders are advised not to attend the AGM if they are feeling unwell.

(3) A member who is unable to attend the AGM and wishes to appoint proxy(ies) to attend, speak and vote at the AGM on his/her/its behalf should complete, sign and return the Depositor Proxy Form in accordance with the instructions printed thereon.

(4) With the exception of The Central Depository (Pte) Limited ("**CDP**") (which may appoint more than two (2) proxies), a member of the Company who is entitled to attend and vote at the AGM and who is the holder of two (2) or more shares is entitled to appoint no more than two (2) proxies to attend the AGM and vote in his stead. A proxy need not be a member of the Company.

(5) All Depositor Proxy Forms must be submitted to the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, not less than 48 hours before the time appointed for holding the AGM in order for the proxy to be entitled to attend and vote at the AGM, failing which the Company shall be entitled to regard the Depositor Proxy Form as invalid.

(6) The Depositor Proxy Form must be signed by the appointor or his attorney duly authorised in writing. In the case of joint appointor(s), all joint appointor(s) must sign the Depositor Proxy Form. Where the Depositor Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Depositor Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if any, under which the Depositor Proxy Form is signed must (unless previously registered with the Company) be lodged with the Depositor Proxy Form, failing which the Company shall be entitled to regard the Depositor Proxy Form as invalid.

The Company shall be entitled to reject the Depositor Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Depositor Proxy Form (such as in the case where the appointor submits more than one (1) Depositor Proxy Form).

(7) In the case of a shareholder whose shares are entered against his/her/its name in the Depository Register, the Company may reject any Depositor Proxy Form lodged if such shareholder, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Company.

Shareholders who hold their shares through a Relevant Intermediary (as defined in section 181 of the Companies Act 1967) should not use the Depositor Proxy Form and should contact their relevant intermediaries as soon as possible to specify voting instructions.

(8) Shareholders may submit questions related to the resolutions to be tabled for approval for the AGM at the AGM or in advance of the AGM. For Shareholders who would like to submit questions in advance of the AGM, their questions must be submitted in the following manner no later than 10.00 a.m. on 17 April 2024 (the "**Cut-Off Date**"):

(a) if submitted electronically, be submitted via email to ir@sunpowergroup.com.cn; or

(b) if submitted by post, be lodged at the office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

Shareholders submitting questions are required to state: (a) the shareholder's full name; and (b) the shareholder's identification/registration number, failing which the Company shall be entitled to regard the submission as invalid and not respond to the questions submitted.

The Company will endeavour to address all substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM as received from shareholders either before the AGM on SGXNET and the Company's website at the URL http://www.sunpowergroup.com.cn/ or at the AGM. The Company will also address any subsequent clarifications sought or follow-up questions received after the above Cut-Off Date at the AGM in respect of substantial and relevant matters.

(9) Printed copies of this notice of AGM and the Depositor Proxy Form have been despatched to shareholders. All documents relating to the business of the AGM will be published on SGXNet and the Company's website, and may be accessed at the URL http://www.sunpowergroup.com.cn/.

**Personal Data Privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request, and (iv) agrees to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Yang Zheng and Mr Wang Dao Fu are the Directors seeking re-election ("**Retiring Directors**") at the forthcoming annual general meeting of the Company to be convened on 25 April 2024.

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| Date of Appointment | 10 November 2017 | 25 June 2019 |
| Date of last re-appointment | 28 April 2021 | 28 April 2021 |
| Age | 70 | 62 |
| Country of principal residence | People's Republic of China | People's Republic of China |
| The Board's comments on this appointment (including rationale, selection criteria, board diversity consideration,and the search and nomination process) | The re-election of Mr Yang Zheng as the Independent Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Yang Zheng's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. | The re-election of Mr Wang Dao Fu as the Independent Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Wang Dao Fu's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Lead ID, AC member, NC member and IC member | NC Chairman, RC member and IC member |
| Professional qualifications | Bachelor Degree in Economics | Bachelor Degree in Law Chinese Bar Qualification obtained from the Ministry of Justice of the PRC in 1989 |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| Working experience and occupation(s) during the past 10 years | December 2008 – December 2013: Independent Director, Anhui Xinke New Materials Stock Co., Ltd.<br><br>December 2008 – January 2014: Independent Director, Anhui Shenjian New Materials Co., Ltd<br><br>June 2009 – June 2014: Independent Director, Jiangsu Huaxi Holding Co., Ltd.<br><br>November 2009 – November 2014: Independent Director, Suzhou SVG Optronics Co., Ltd.<br><br>June 2011 – December 2017: Independent Director, Jiangsu Canlon Building Materials Co., Ltd.<br><br>June 2012 – October 2017: Independent Director, SINOCALCI Corporation<br><br>December 2012 – March 2019: Independent Director, Shanghai Simgui Technology Co., Ltd.<br><br>March 2014 – March 2018: Vice-president, Xi'an Eurasia University<br><br>July 2014 – June 2017: Independent Director, Ginwa Enterprise (Group) Co., Ltd.<br><br>June 2014 – June 2020: Independent Director, Changzhou Architectural Research Institute Group Co., Ltd.<br><br>May 2015 – May 2021: Independent Director, Jiangsu Kanion Pharmaceutical Co., Ltd.<br><br>November 2018 – Present: Independent Director, Luenmei Quantum Co., Ltd.<br><br>August 2019 – Present: President, Shenzhen Rihao Financial Intelligence Research Institute<br><br>November 2019 – Present: Independent Director, Anhui Xinke New Materials Co., Ltd. (formerly known as Kingswood Enterprise Co., Ltd.)<br><br>July 2021 – Present: Independent Director, MeiG Smart Technology Co., Ltd.<br><br>October 2021 – Present: Independent Director, SVG Tech Group Co., Ltd. | January 2013 – December 2016: Independent Director, Jiangsu Jiangnan Agriculture Commercial Bank<br><br>November 2015 – July 2019: Director, TH Straits 2015 Pte Ltd<br><br>January 2016 – December 2018: Director, Bank of Dazhou<br><br>October 2014 – December 2023: Director of MOBO Information Technology Pte Ltd<br><br>April 2015 – August 2022: Director of SGD Investment Pte Ltd<br><br>January 2017 – October 2021: Independent Director, Suzhou DieZhi Internet Technology Share Company<br><br>January 2004 – Present: Founding Partner of Yuan Tai Law Offices<br><br>November 2009 – Present: Director of Proceq Trading (Shanghai) Co. Ltd (China)<br><br>January 2017 – Present: Independent Director, Matex International Limited |
| Shareholding interest in the listed issuer and its subsidiaries | Nil | Nil |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None | None |
| Conflict of interest (including any competing business) | None | None |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| **Other Principal Commitments* Including Directorships#**<br>* "Principal Commitments" has the same meaning as defined in the Code.<br># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9) | | |
| Past (for the last 5 years) | June 2014 – October 2020: Independent Director, Changzhou Architectural Research Institute Group Co., Ltd.<br><br>May 2015 – May 2021: Independent Director, Jiangsu Kanion Pharmaceutical Co., Ltd. | November 2015 – July 2019: Director, TH Straits 2015 Pte Ltd<br><br>October 2014 – December 2023: Director of MOBO Information Technology Pte Ltd<br><br>April 2015 – August 2022: Director of SGD Investment Pte Ltd<br><br>January 2017 – October 2021: Independent Director, Suzhou DieZhi Internet Technology Share Company |
| Present | February 1987 – Present: Professor, Nanjing Audit University<br><br>November 2018 – Present: Independent Director, Luenmei Quantum Co., Ltd.<br><br>August 2019 – Present: President, Shenzhen Rihao Financial Intelligence Research Institute<br><br>November 2019 – Present: Independent Director, Anhui Xinke New Materials Co., Ltd. (formerly known as Kingswood Enterprise Co., Ltd.)<br><br>July 2021 – Present: Independent Director, MeiG Smart Technology Co., Ltd.<br><br>October 2021 – Present: Independent Director, SVG Tech Group Co., Ltd. | January 2004 – Present: Founding Partner of Yuan Tai Law Offices<br><br>November 2009 – Present: Director of Proceq Trading (Shanghai) Co. Ltd (China)<br><br>January 2017 – Present: Independent Director, Matex International Limited |
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.** | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she wasa partner or at any timewithin 2 years from the date he/she ceased to be a partner? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| (b) Whether at any time during the last 10 years,an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |
| (d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose? | No | No |
| (e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| (g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) Whether he/she has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–<br><br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,<br><br>in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| NAME OF DIRECTOR | YANG ZHENG | WANG DAO FU |
|---|---|---|
| (k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |
| **Disclosure applicable to the appointment of Director only** | | |
| Any prior experience as a director of an issuer listed on the Exchange?<br><br>If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | Not applicable. This relates to the re-appointment of Director. | Not applicable. This relates to the re-appointment of Director. |

中聖集團
SUNPOWER GROUP LTD.

BE THE **SOLUTION**
NOT THE **POLLUTION**

ANNUAL REPORT **2023**

**Sunpower Group Ltd.**
No. 2111 Chengxin Avenue
High-tech Industrial Park Jiangning District,
Nanjing, Jiangsu, 211112
People's Republic of China

Registered Address:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda