

SUNPOWER GROUP LTD.

Unaudited Financial Statements for the First Quarter Ended 31 March 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(RMB'000)	First quarter ended		% change
	31 March 2017	31 March 2016	
Revenue	343,151	291,389	17.8
Cost of sales	(256,461)	(221,076)	16.0
Gross profit	86,690	70,313	23.3
Other operating income	5,557	7,304	(23.9)
Selling and distribution expenses	(8,852)	(8,298)	6.7
Administrative expenses	(39,644)	(41,204)	(3.8)
Other operating expenses	(765)	(3,010)	(74.6)
Finance costs	(10,081)	(5,670)	77.8
Profit before income tax	32,905*	19,435	69.3
Income tax expense	(7,066)	(4,181)	69.0
Profit for the period	25,839*	15,254	69.4
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operation	(15)	17	(188.2)
Total comprehensive income for the period	25,824*	15,271	69.1
Profit for the period attributable to:			
Equity holders of the Company	25,654	16,020	60.1
Non-controlling interest	185	(766)	124.2
Profit for the period	25,839*	15,254	69.4
Total comprehensive income for the period attributable to:			
Equity holders of the Company	25,639	16,037	59.9
Non-controlling interest	185	(766)	124.2
Profit for the period	25,824*	15,271	69.1

**Note: These amounts may be subjected to change as the accounting treatment for the convertible bonds has not yet been finalised. Please refer to "Accounting Treatment of Convertible Bonds" of Section 8(b) on page 15 for more information.*

1(a)(ii) Other information:

(RMB'000)	First quarter ended		% change
	31 March 2017	31 March 2016	
Depreciation expense	7,171	8,391	(14.5)
Interest expense	10,081	5,670	77.8
Amortisation of land use rights	568	353	60.9
Amortisation of intangible assets	245	245	-
Impairment allowance on trade and non-trade receivables	548	2,792	(80.4)
Reversal of impairment allowance on trade and non-trade receivables	(2,448)	(5,834)	(58.0)
Share option expense	1,956	1,983	(1.4)
Foreign exchange (gain)/loss (net)	(711)	5209	113.6

Other operating income comprises:

(RMB'000)	First quarter ended		% change
	31 March 2017	31 March 2016	
Government grant	872	711	22.6
Interest income	902	274	229.2
Foreign exchange gain	711	30	n.m.
Gain on disposal of plant and equipment	48	-	n.m.
Reversal of impairment allowance on trade and non-trade receivables	2,448	5,834	(58.0)
Others	576	455	26.6
Total	5,557	7,304	(23.9)

n.m. – not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) 31 March 2017	(Audited) 31 December 2016	(Unaudited) 31 March 2017	(Audited) 31 December 2016
ASSETS				
Current assets:				
Cash and cash equivalents	1,234,302	281,277	130,992	3,522
Pledged bank deposits	113,564	69,218	-	-
Trade receivables	956,478	1,018,281	-	-
Other receivables, deposits and prepayments	138,701	117,650	14,762	14,764
Inventories	245,051	209,769	-	-
Land use rights	3,748	3,748	-	-
Total current assets	<u>2,691,844</u>	<u>1,699,943</u>	<u>145,754</u>	<u>18,286</u>
Non-current assets:				
Land use rights	168,615	170,466	-	-
Property, plant and equipment	250,413	250,208	-	-
Other receivables, deposits and prepayments	13,329	8,535	10,000	20,000
Available-for-sale investment	9,782	-	-	-
Subsidiaries	-	-	943,948	325,476
Intangible assets	765,460	635,369	-	-
Goodwill	5,483	5,483	-	-
Deferred tax assets	12,888	13,227	-	-
Total non-current assets	<u>1,225,970</u>	<u>1,083,288</u>	<u>953,948</u>	<u>345,476</u>
Total assets	<u>3,917,814</u>	<u>2,783,231</u>	<u>1,099,702</u>	<u>363,762</u>
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	862,246	846,801	-	-
Other payables	150,580	187,681	48,677	38,684
Borrowings	270,500	401,000	-	-
Income tax payable	27,104	30,894	-	-
Total current liabilities	<u>1,310,430</u>	<u>1,466,376</u>	<u>48,677</u>	<u>38,684</u>
Non-current liabilities:				
Deferred tax liabilities	17,085	16,120	-	-
Borrowings	687,000	157,000	-	-
Convertible bonds	731,784*	-	731,784*	-
Total non-current liabilities	<u>1,435,869*</u>	<u>173,120</u>	<u>731,784*</u>	<u>-</u>
Capital and reserves:				
Share capital	53,531	53,531	53,531	53,531
Share premium	266,938	266,938	266,938	266,938
General reserve	74,014	70,508	-	-
Share option reserve	14,784	12,828	14,784	12,828
Foreign currency translation reserve	246	261	-	-
Accumulated profits/(losses)	736,124*	713,976	(16,012)*	(8,219)
Equity attributable to equity holders of the Company	1,145,637*	1,118,042	319,241*	325,078
Non-controlling interest	25,878	25,693	-	-
Total equity	<u>1,171,515*</u>	<u>1,143,735</u>	<u>319,241*</u>	<u>325,078</u>
Total liabilities and equity	<u>3,917,814</u>	<u>2,783,231</u>	<u>1,099,702</u>	<u>363,762</u>

*Note: Please refer to "Accounting Treatment of Convertible Bonds" in Section 8(b) on page 15 for more information.

1(b)(ii) Aggregate amount of group borrowings and debt securities

Amount repayable in one year or less, or on demand

(RMB'000)	As at 31 March 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
Borrowings	80,000	190,500	65,000	336,000

Amount repayable after one year

(RMB'000)	As at 31 March 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
Borrowings	594,000	93,000	94,000	63,000

Details of any collaterals:

<u>Collaterals</u>	31 March 2017 RMB'000	31 December 2016 RMB'000
Letter of credit	-	25,000
Land use rights and buildings of a subsidiary	674,000	134,000

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

RMB'000	First quarter ended	
	31 March 2017 (Unaudited)	31 March 2016 (Unaudited)
Operating activities		
Profit before income tax	32,905*	19,435
Adjustments for:		
Depreciation expense	7,171	8,391
Interest expense	10,081*	5,670
Amortisation of land use rights	568	353
Amortisation of intangible assets	245	245
Interest income	(902)	(274)
Reversal of impairment allowance on trade and non-trade receivables – net of reversals	(1,900)	(3,042)
Share option expense	1,956	1,983
Loss on disposal of plant and equipment -net	(1)	-
Operating cash flows before movements in working capital	50,123*	32,761
Trade receivables	53,921	(86,416)
Other receivables and prepayments	(21,051)	(15,200)
Inventories	(35,282)	20,742
Trade payables	15,445	83,307
Other payables	(41,844)	(27,550)
Cash generated from operations	21,312*	7,644
Income tax paid	(9,552)	(7,670)
Interest received	902	274
Interest paid	(5,338)*	(5,670)
Net cash generated from (used in) operating activities	7,324*	(5,422)
Investing activities		
Prepayments for Build-Operate-Transfer (“BOT”) projects	(4,794)	(54,931)
Purchase of property, plant and equipment	(7,495)	(12,061)
Payments for land use rights acquired	-	(13,027)
Acquisition of intangible assets	(129,053)	(39,929)
Proceeds from disposal of property, plant and equipment	120	-
Net cash used in investing activities	(141,222)	(119,948)
Financing activities		
Proceeds from new borrowings	603,000	245,000
Proceeds from Convertible Bonds	731,784	-
Pledged bank deposits	(44,346)	15,552
Payments of dividend	-	-
Repayment of borrowings	(203,500)	(225,000)
Net cash generated from financing activities	1,086,938	35,552
Net increase (decrease) in cash and cash equivalents	953,040	(89,818)
Cash and cash equivalents at beginning of year	281,277	397,527
Effects of foreign exchange rate changes	(15)	17
Cash and cash equivalents at end of the period	1,234,302	307,726

**Note: Please refer to “Accounting Treatment of Convertible Bonds” in Section 8(b) on page 15 for more information.*

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	<u>Share capital</u>	<u>Share Premium</u>	<u>General reserve</u>	<u>Share option reserve</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated profits</u>	<u>Equity attributable to equity holders of the Company</u>	<u>Non-controlling interest</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at 1 January 2016	53,531	266,938	56,466	4,897	111	590,126	972,069	20,689	992,758
<u>Total comprehensive income for January to March 2016</u>									
Profit for January to March 2016	-	-	-	-	-	16,020	16,020	(766)	15,254
Other comprehensive income for January to March 2016	-	-	-	-	17	-	17	-	17
Total	-	-	-	-	17	16,020	16,037	(766)	15,271
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserve	-	-	1,055	-	-	(1,055)	-	-	-
Share option expenses	-	-	-	1,983	-	-	1,983	-	1,983
Total	-	-	1,055	1,983	-	(1,055)	1,983	-	1,983
Balance at 31 March 2016	53,531	266,938	57,521	6,880	128	605,091	990,089	19,923	1,010,012
<u>Total comprehensive income for April to December 2016</u>									
Profit for April to December 2016	-	-	-	-	-	126,154	126,154	4,270	130,424
Other comprehensive income for April to December 2016	-	-	-	-	133	-	133	-	133
Total	-	-	-	-	133	126,154	126,287	4,270	130,557
<u>Transactions with owners, recognised directly in equity</u>									
Dividend paid	-	-	-	-	-	(4,282)	(4,282)	-	(4,282)
Transfer to general reserve	-	-	12,987	-	-	(12,987)	-	-	-
Contribution from non-controlling interest holders	-	-	-	-	-	-	-	1,500	1,500
Share option expenses	-	-	-	5,948	-	-	5,948	-	5,948
Total	-	-	12,987	5,948	-	(17,269)	1,666	1,500	3,166
Balance at 31 December 2016	53,531	266,938	70,508	12,828	261	713,976	1,118,042	25,693	1,143,735

<u>Group</u>	<u>Share capital</u>	<u>Share Premium</u>	<u>General reserve</u>	<u>Share option reserve</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated profits</u>	<u>Equity attributable to equity holders of the Company</u>	<u>Non-controlling interest</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at 1 January 2017	53,531	266,938	70,508	12,828	261	713,976	1,118,042	25,693	1,143,735
<u>Total comprehensive income for January to March 2017</u>									
Profit for January to March 2017	-	-	-	-	-	25,654*	25,654	185	25,839
Other comprehensive income for January to March 2017	-	-	-	-	(15)	-	(15)	-	(15)
Total	-	-	-	-	(15)	25,654*	25,639	185	25,824
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserve	-	-	3,506	-	-	(3,506)	-	-	-
Share option expenses	-	-	-	1,956	-	-	1,956	-	1,956
Total	-	-	3,506	1,956	-	(3,506)	1,956	-	1,956
Balance at 31 March 2017	53,531	266,938	74,014	14,784	246	736,124	1,145,637	25,878	1,171,515

**Note: Please refer to "Accounting Treatment of Convertible Bonds" in Section 8(b) on page 15 for more information.*

<u>Company</u>	<u>Share capital</u> RMB'000	<u>Share premium</u> RMB'000	<u>Share option reserve</u> RMB'000	<u>Accumulated profits</u> RMB'000	<u>Equity attributable to equity holders of the Company</u> RMB'000	<u>Total</u> RMB'000
Balance at 1 January 2016	53,531	266,938	4,897	18,485	343,851	343,851
Loss for the period, representing total comprehensive loss for January to March 2016	-	-	-	(3,935)	(3,935)	(3,935)
<u>Transactions with owners, recognized directly in equity</u>						
Employee share option expense	-	-	1,983	-	1,983	1,983
Balance at 31 March 2016	53,531	266,938	6,880	14,550	341,899	341,899
Loss for the period, representing total comprehensive loss for April to December 2016	-	-	-	(18,487)	(18,487)	(18,487)
<u>Transactions with owners, recognised directly in equity</u>						
Dividends paid	-	-	-	(4,282)	(4,282)	(4,282)
Employee share option expenses	-	-	5,948	-	5,948	5,948
Total	-	-	5,948	(4,282)	1,666	1,666
Balance at 31 December 2016	53,531	266,938	12,828	(8,219)	325,078	325,078
Loss for the period, representing total comprehensive loss for January to March 2017	-	-	-	(7,793)	(7,793)	(7,793)
<u>Transactions with owners, recognised directly in equity</u>						
Employee share option expenses	-	-	1,956	-	1,956	1,956
Total	-	-	1,956	-	1,956	1,956
Balance at 31 March 2017	53,531	266,938	14,784	(16,012)	319,241	319,241

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in share capital during the first quarter ended 31 March 2017 and 31 March 2016.

There were no outstanding convertibles or treasury shares held as at 31 March 2016.

On 3 March 2017, the Company had completed the issuance of Convertible Bonds of an aggregate principal amount of US\$110 million which are convertible into fully paid ordinary shares in the capital of the Company (which will potentially represent approximately 28.2% to 51.4% of share capital on a diluted basis) to Glory Sky Vision Limited (ultimately indirectly and beneficially owned by CDH Fund V, L. P.). The Convertible Bonds will mature in March 2022.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company's total issued shares as at 31 March 2017 and 31 March 2016 is 737,657,142 ordinary shares.

There were no shares held as treasury shares as at 31 March 2017, 31 December 2016 and 31 March 2016.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

These figures have neither been audited nor reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2017. The adoption of the new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

(a) **Based on the weighted average number of ordinary shares on issue; and**

	First Quarter ended	
	31 March 2017	31 March 2016
	<hr/>	
Net profit attributable to equity holders of the Group (RMB'000)	25,654*	16,020
Weighted average number of ordinary shares outstanding ('000)	737,657	737,657
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Earnings per share – basic (RMB cent)	3.48*	2.17
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Basic earnings per share for the first quarter ended 31 March 2017 and 31 March 2016 have been calculated based on the issued share capital of 737,657,142 ordinary shares.

(b) On a fully diluted basis (detailing any adjustments made to the earnings)

	First Quarter ended	
	31 March 2017	31 March 2016
Net profit attributable to equity holders of the Group (RMB'000)	29,377*	16,020
Weighted average number of ordinary shares outstanding ('000)	896,880	796,877
Earnings per share – diluted (RMB cent)	3.28*	2.01

Diluted earnings per share for the above periods have been calculated assuming the outstanding convertibles and share options granted have been exercised during 1Q2017.

**Note: Please refer to “Accounting Treatment of Convertible Bonds” in Section 8(b) on page 15 for more information.*

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

	Group		Company	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Net asset value per share (RMB cents)	155.31*	151.57	43.28*	44.07

The net asset value per share for 31 March 2017 and 31 December 2016 have been computed based on shareholders' equity as at these dates and the issued share capital of 737,657,142 ordinary shares as at 31 March 2017 and 31 December 2016.

**Note: Please refer to “Accounting Treatment of Convertible Bonds” in Section 8(b) on page 15 for more information.*

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

The Group's performance for the first quarter ended 31 March 2017 ("1Q2017") as compared to that of the first quarter ended 31 March 2016 ("1Q2016")

Revenue

The Group's revenue increased by RMB 51.8 million or 17.8% from RMB 291.4 million in 1Q2016 to RMB 343.2 million in 1Q2017. The higher revenue was attributable to an increase of RMB 110.3 million from Environmental Equipment Manufacturing (EEM) segment, which was offset by a decrease of RMB 58.6 million from Engineering Procurement and Construction (EPC) Integrated Solutions segment.

Gross Profit

Gross profit increased by RMB 16.4 million or 23.3% from RMB 70.3 million in 1Q2016 to RMB 86.7 million in 1Q2017. Gross Profit Margin of 25.3% for 1Q2017 is fairly consistent with 24.1% for 1Q2016.

Profit before Income Tax

Profit before tax increased by RMB 13.5 million or 69.3% from RMB 19.4 million in 1Q2016 to RMB 32.9 million in 1Q2017. The increase was mainly attributable to the following factors:

- (a) Increase in gross profit of RMB 16.4 million;
- (b) Decrease in other operating expenses of RMB 2.2 million, largely due to decrease in impairment allowance on trade and non-trade receivables of RMB 2.2 million;

The above were offset mainly by:

- (a) Increase in finance costs of RMB 4.4 million due to amortised interest expense of Convertible Bonds. Please refer to "Accounting Treatment of Convertible Bonds" in Section 8(b) on page 15 for more information.

Income Tax Expense

Both effective income tax rates for 1Q2017 and 1Q2016 were 21.5%.

Profit for the Financial Period

The Group's net profit attributable to the shareholders increased by RMB 9.6 million or 60.1% from RMB 16.0 million in 1Q2016 to RMB 25.7 million in 1Q2017. Please refer to "Accounting Treatment of Convertible Bonds" in Section 8(b) on page 15 for more information.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of the Group's Financial Position

The Group's total current assets increased by RMB 991.9 million from RMB 1,699.9 million as at 31 December 2016 to RMB 2,691.8 million as at 31 March 2017 mainly due to:

- (a) Increase in cash and cash equivalents of RMB 953.0 million, mainly due to the issuance of Convertible Bonds.
- (b) Increase in pledged bank deposits of RMB 44.3 million as more collaterals were required for the credit facilities granted.
- (c) Increase in other receivables, deposits and prepayments of RMB 21.1 million resulting from increased advance payment for purchases to fulfill the orders on hand and higher other receivables.
- (d) Increase in inventories of RMB 35.3 million primarily due to an increase in raw materials purchases of RMB 44.8 million for projected use.

The above increase was mitigated by the following:

- (e) Decrease in trade receivables of RMB 61.8 million in 1Q2017 as a result of an aggregate decrease in trade receivables and notes receivables with third parties of RMB 63.2 million. Approximately 32.7% and 5.0% of the trade receivables at 31 December 2016 and 31 March 2017 respectively were collected as at 30 April 2017. Most of the trade receivables are due from customers that are state-owned enterprises, listed companies or multinational corporations. Overall, the Group's customers are credit-worthy.

The Group's total non-current assets increased by RMB 142.7 million from RMB 1,083.3 million as at 31 December 2016 to RMB 1,226.0 million as at 31 March 2017 mainly due to:

- (a) Increase in other receivables, deposits and prepayments of RMB 4.8 million resulting from prepayments made to subcontractors for work done for the new "BOT, BOO, TOT" projects as at 31 March 2017;
- (b) Increase in available-for-sale investment of RMB 9.8 million, being an investment in an unquoted entity held by the Group's subsidiary;

- (c) Increase in intangible assets of RMB 130.1 million due to service concession arrangements (“BOT, BOO, TOT” projects) in respect of which construction work had commenced since FY2016.

The Group’s total current liabilities decreased by approximately RMB 155.9 million from RMB 1,466.4 million as at 31 December 2016 to RMB 1,310.4 million as at 31 March 2017 mainly due to:

- (a) Decrease in short term borrowings of RMB 130.5 million; and
- (b) Decrease in other payables of RMB 37.1 million arising from an aggregate decrease in accrued payroll costs and value-added taxes amounting to RMB 44.0 million;

The above increase were mitigated by

- (c) Increase in trade payables of RMB 15.4 million as a result of increase in customer advances of RMB 18.0 million.

The Group’s total non-current liabilities increased by approximately RMB 1,262.7 million from RMB 173.1 million as at 31 December 2016 to RMB 1,435.9 million as at 31 March 2017 mainly due to:

- (a) Increase in long term borrowings of approximately RMB 530.0 million, mainly caused by the borrowing received for BOT project; and
- (b) Increase in Convertible Bonds of RMB 731.8 million. Please refer to “Accounting Treatment of Convertible Bonds” in Section 8(b) on page 15 for more information.

Review of the Group’s Cash Flow Statement for the first quarter ended 31 March 2017

Net cash generated from operating activities amounted to approximately RMB 7.4 million, primarily due to operating cash flows before movements in working capital of approximately RMB 50.1 million that were derived from:

- (a) Higher working capital requirements arising from the increase in other receivables and prepayments of RMB 21.3 million, increase in inventories of RMB 35.3 million and decrease in other payables of RMB 41.8 million;
- (b) Lower working capital requirements due to the decrease in trade receivables of RMB 53.9 million and increase in trade payables of RMB 15.4 million; and
- (c) Interest and tax paid of RMB 14.0 million in aggregate.

Net cash used in investing activities amounted to RMB 141.2 million mainly due to an increase in acquisitions of intangible assets.

Net cash generated from financing activities amounted to RMB 1,086.9 million due to the net proceeds from bank borrowings and Convertible Bonds of RMB 603.0 million and RMB 731.8 million respectively which were offset by the repayment of bank loans of RMB 203.5 million.

Use of Proceeds from Convertible Bonds

On 3 March 2017, the Company has completed the issuance of Convertible Bonds of an aggregate principal amount of US\$110 million (“Convertible Bonds”), which are convertible into fully paid ordinary shares in the capital of the Company to Glory Sky Vision Limited (ultimately indirectly and beneficially owned by CDH Fund V, L. P.). The Convertible Bonds will mature in March 2022.

The net proceeds raised from the Convertible Bonds is approximately US\$106.0 million (equivalent to RMB 731.8 million) after deducting the estimated transaction expenses of approximately US\$4.0 million (approximately RMB 26.1 million) and will be used for Green Investments projects.

As at 30 April 2017, the Company has not utilised any of the net proceeds and will update the shareholders on any material use of proceeds as and when disburse.

Accounting Treatment of Convertible Bonds

Convertible Bonds were issued on 3 March 2017 with the carrying amount of the Convertible Bonds currently stated at cost as at 31 March 2017. In accordance with current accounting standards associated with the issuance of compound financial instruments, it is expected that (i) there is a fair value charge to the statement of profit and loss arising from fair value changes relating to the conversion option and (ii) amortised interest charge relating to the amortised cost liability component of the Convertible Bonds as at 31 March 2017. The fair value charge is an accounting charge arising from the compliance with the accounting standards and has no cash flow effect and no financial impact on the performance targets in relation to the Convertible Bonds as stipulated in the Convertible Bonds Agreement stated in the circular dated 13 February 2017.

As the determination of the fair value of the conversion option and the amortised cost liability components in the Convertible Bonds by the independent valuer is complex and subjective in nature involving judgement and parameters that are being carefully assessed by the valuer and thereafter to be reviewed and agreed by external auditors, management, the investor and the Directors, the fair value of this compound instrument including the fair value charge and the related financial effects to the statement of profit or loss and other statements have not yet been finalized. A separate announcement will be made as soon as this valuation exercise is completed.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no variance between the actual results and the forecast, or prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In 1Q2017, the Group achieved a 17.8% and 62.3% growth in revenue and net profit attributable to shareholders respectively. China is in the midst of economic reforms and restructuring. China's economy grew by 6.9 percent year-on-year in the first quarter of 2017 which demonstrated good signs of recovery.

In 2017, the Chinese government will be monitoring the Action Plan on Prevention and Control of Air Pollution, which includes strengthening environmental supervision and law enforcement efforts. According to the Action Plan, major cities are required to eliminate the use of coal-fired boilers with less than 10 tonnes and prohibit the manufacturing of coal-fired boilers with less than 20 tonnes by 2017 which will accelerate the replacement of small coal boilers by centralised steam and electricity facility. With the favourable government policies and growing awareness of environmental protection, the environmental protection and clean energy industry is expected to have higher growth in 2017.

Mr. Gu Quanjun joined the Group as senior vice president in order to strengthen the Group's business development and project management. He has many years of experience in clean energy industry and is responsible to oversee the Group's Green Investments segment.

The Group will proactively search for and capitalize on the market opportunities to increase its market penetration, increase investments in centralised steam/electricity and clean energy area. The Group is confident that it would secure more projects in the pipeline to achieve stable EPC income and long-term recurring income from the BOT/BOO/TOT projects, which will enhance the quality of the Group's earnings and shareholders' value.

Barring any unforeseen circumstances and excluding the fair value charge and related financial effects arising from the determination of fair values of the Convertible Bonds as detailed in "Accounting Treatment of Convertible Bonds" in Section 8(b), Management expects the Group to remain profitable in FY2017.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

**(b) (i) Amount per share in cents
(ii) Previous corresponding period in cents**

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have an Interested Person Transaction mandate.

14. Negative Confirmation Pursuant to Rule 705(5).

We do hereby confirm on behalf of the Board of Directors of the Company ("the Board") that, to the best of our knowledge except for the matters disclosed in "Accounting Treatment of Convertible Bonds" in Section 8(b) regarding the fair valuation of Convertible Bonds, nothing has come to the

attention of the Board which may render the financial statements for the first quarter ended 31 March 2017 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in [Appendix 7.7](#)) under [Rules 720\(1\)](#).

The Company has obtained undertakings from all directors and executive officers.

For and on behalf of the
Board of Directors of
SUNPOWER GROUP LTD.

Guo Hong Xin
Executive Chairman

Ma Ming
Executive Director

BY ORDER OF THE BOARD

Ma Ming
Executive Director

12 May 2017