



SUNPOWER GROUP LTD.

(Company Registration No. 35230)
(Incorporated in Bermuda with limited liability)

PROPOSED ACQUISITION OF 85% OF THE EQUITY INTEREST IN QINGDAO XINYUAN THERMAL POWER CO., LTD.

1. Introduction

The board of directors (the “**Board**”) of Sunpower Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) (“**Sunpower Clean Energy**”), a wholly-owned subsidiary of the Company, has entered into a share transfer agreement (the “**Agreement**”) with Employee Technical Association of Jimo Thermal Power Plant (即墨市热电厂职工技术协会) and other 13 individual shareholders (collectively, the “**Vendors**”) to acquire an aggregate of 85% of the equity interest (the “**Sale Equity Interest**”) in Qingdao Xinyuan Thermal Power Co., Ltd. (青岛新源热电有限公司) (the “**Target**”), subject to the terms and conditions of the Agreement (the “**Transaction**”).

2. Information on the Target and the Vendors

2.1. Information on the Target

Established in 2003, the Target is a company incorporated in the People’s Republic of China (“**China**”). Its principal business activities include the supply of steam to the industrial enterprises and the provision of heat to the local residents, as well as the sale of electricity to the State Grid Corporation of China (“**State Grid**”). The Target is presently situated in Jimo, a district of Qingdao, Shandong Province.

2.2. Information on the Vendors

The Employee Technical Association of Jimo Thermal Power Plant is a social organisation registered in China. Each Vendor is an independent third party and is not related to any of the directors and controlling shareholders of the Company and the Group. As at the date of this announcement, none of the Vendors have any direct or indirect interest in the shares of the Company.

3. Rationale for the Transaction

The Company intends to enter into the Transaction for various factors including the following:

i) The Transaction is in line with the expansion of the Green Investments business segment of the Group

Pursuant to the circular dated 13 February 2017 (“**Circular**”) despatched to shareholders of the Company in connection with the issue of convertible bonds to Glory Sky Vision Limited (“**Convertible Bonds Issue**”), the Group intends to expand its existing green investments related business (“**Green Investments**”), which is one of the core businesses of the Group. As the Target’s principal activities include Green Investments, completion of the Transaction will result in an expansion of the Group’s existing core business of Green Investments as described in the Circular.

ii) There is a steady growth in the business of the Target

Based on information gathered by the Group through enquiries reasonably made, the Target has maintained a steady growth in its business of steam supply over the past years due to its solid customer base in the local area, and its current manufacturing capacities have yielded stable sales of electricity.

iii) The development potential of Jimo district may lead to a growth in the business of the Target

According to the *Urban Planning of Qingdao (2011-2020)*, a number of industrial enterprises and residents originally located in Qingdao are expected to move to the Jimo district, which will bring more business opportunities and primarily contribute to the growth of the Target's business for the supply of heat in the upcoming years.

iv) There is growth potential for the supply of heat in the near future

Based on the on-site research of the Group, the scale of real estate in construction and for sale in the vicinity of the Target has seen an increase in recent years and is expected to continue its increase, which will enable the Target to expand its coverage of the supply of heat in the near future.

v) A professional and experienced team of the Target will ensure the continued smooth operation post-transaction

Based on information gathered by the Group through enquiries reasonably made, the Target has a dedicated team of professionals with 14 years' of experience that is responsible for the operation of its thermal power plant. This team will facilitate the continued smooth operation of the Target and leave the Group free to focus on business expansion post-acquisition.

vi) The Transaction is expected to bring in additional stream of recurring income to the Group

The Transaction will provide the Group with an additional revenue stream for its Green Investments business as the Target will continue to supply steam, heat and electricity to various industrial enterprises, local residents and State Grid post acquisition.

The Board has conducted an internal assessment of the Transaction and is of the view that it is in the ordinary course of business of the Group as the Target's principal business activities are in line with the Company's existing businesses, the Transaction will not change the risk profile of the Company and will result in an expansion of one of the Company's existing core business of Green Investments, further details of which can be found in the Group's most recently published annual report for the financial year ended 31 December 2016, as well as the Circular.

4. Principal Terms of the Transaction

4.1 Consideration

The aggregate purchase consideration for the Proposed Acquisition is RMB212.5 million (the "**Consideration**") which will be satisfied in cash, and funded from the Group's internal resources, bank loans and net proceeds from the Convertible Bonds Issue.

The Consideration was arrived at on a willing-buyer, willing-seller basis, after arm's length negotiations, and after taking into consideration the value of the Target based on a valuation report ("**Valuation Report**") issued by Nanjing Greatwall Land and Real Estate Evaluation and Property Appraisal Co, Ltd.(南京长城土地房地产资产评估造价咨询有限公司) (the

“**Valuer**”), an independent valuer appointed by the Company. According to the Valuation Report, the fair value of 100% equity interest of the Target is RMB259.0 million as at 31 May 2017 based on the asset-based approach method.

4.2 Completion of the Transaction

Completion of the Transaction (“**Completion**”) shall take place once the Sale Equity Interest has been transferred to Sunpower Clean Energy and its name has been registered with the relevant governmental authority, and entered into the Constitution/Bye-laws and statutory register books of the Target. Following Completion, the Target will become a subsidiary of the Company.

5. Interests of Directors and Substantial Shareholders

None of the directors or controlling shareholders of the Company have any direct or indirect interest in the Transaction, other than through their respective shareholdings in the Company (if any).

6. Others

Barring any unforeseen circumstances, the Transaction is anticipated to have a positive impact to the Company’s FY2017 results. In addition, the Transaction is not expected to have material effect on the net tangible assets per share or earnings per share of the Company for the financial year ending 31 December 2017. No person is proposed to be appointed as a director of the Company in connection with the Transaction.

BY ORDER OF THE BOARD

Ma Ming

Executive Director

10 November 2017