



SUNPOWER GROUP LTD.

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE PRESS RELEASE IN RELATION TO THE SECURED TENDER FROM SHANXI TAIGANG STAINLESS STEEL CO., LTD

In response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the board of Directors (the “**Board**”) of Sunpower Group Ltd. (the “**Company**”) wish to provide the following information:

Question 1:

Please disclose who are the parties to the tripartite consortium and what are their respective roles in the Flue Gas Desulphurization project (“**FGD**”).

Our Response:

Sunpower’s wholly-owned subsidiary, Jiangsu Sunpower Technology Co., Ltd.(江苏中圣高科技产业有限公司) won this RMB105 million tender with two other companies, Shanxi Taigang Engineering Technology Co., Ltd. (“Taigang Engineering”, “山西太钢工程技术有限公司”) and Beijing Lideheng Environmental Protection Engineering Co., Ltd. (“Beijing Lideheng”, “北京利德衡环保工程有限公司”) to provide FGD Engineering, Procurement and Construction (“EPC”) services for Shanxi Taigang’s coking plant in Shanxi province, China.

Under the agreement signed among the three companies, Sunpower will mainly undertake the EPC of low-temperature Selective Catalytic Reduction (SCR) denitrification system (低温选择性还原脱硝系统), instrumentation and control system, pressure pipeline, flammable gas pipeline and utility piping as well as the procurement and construction of the electrical system. Taigang Engineering, the sister company of Shanxi Taigang Stainless Steel Co., Ltd (“Shanxi Taigang”, “山西太钢不锈钢股份有限公司”), will take charge of procuring supporting equipment and the design of the electrical system. Meanwhile, Beijing Lideheng, an integrated environmental protection specialist in the smog-governance sector, will be responsible for providing EPC of desulfurization to the project.

Question 2:

Please elaborate more on the statement that “(GI) portfolio, if successfully operated and realized, will deliver high Net Present Value (“NPV”) to the Group over the course of the projects’ concession periods, which are usually 30 years in nature” and clarify whether the FGD falls under the GI portfolio

Our Response:

The Company currently has two business segments, Manufacturing and Services (M&S) and Green Investments (GI). This FGD tender win is the Company’s latest achievement in the M&S segment.

The GI portfolio refers to the investment, development and operation of centralized facilities that provide steam, heat and electricity to mostly industrial users. The GI portfolio is able to generate

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long-term, recurring and high quality cashflows primarily because we have exclusivity to operate the centralized steam facilities within the coverage areas that we have concession for, which usually lasts for 30 years with first right of renewal.

In addition, the Group has the right to demand prepayment for its steam tariffs from the customers due to a captive customer base and steam being a non-discretionary input for its industrial customers. Sunpower is focused on building a sizable portfolio of GI assets that will provide us with a stream of reliable cashflows which can be discounted back to form a substantial Net Present Value (NPV). This will form the bulk of the intrinsic value of the Company over time.

Question 3:

Please elaborate more on the statement that “to date, Sunpower has five GI projects in operation, five either in the design or construction phases, and another 28 projects in the pipeline”.

Our Response:

Our GI portfolio comprises, for now, five operational projects in Hebei (Changrun Project), Jiangsu (Lianshui Project), Anhui (Quanjiao Project) and Shandong (Xinyuan Thermal Power Plant and Jining Project). The first three are green-field centralized steam/electricity-generating facilities that started operations in Q3 and Q4 2017. Xinyuan Thermal Power Plant is a steam facility that we acquired in November 2017, and Jining is a steam distribution pipeline project that started its steam trading business in Q1 2018. We have another five projects that comprise two projects under construction in Guangdong and Shandong (Shantou Project and Xintai Zhengda Project) and three at the design stage in Shandong, Shanxi and Jiangxi (Liutuan Project; Xinjiang Project; and Yingtan Project respectively).

The pipeline projects refer to 28 projects that we are currently evaluating for potential investment or development. The Company will proceed only if they satisfy our overall requirements.

By order of the Board

Ma Ming

Executive Director
29 June 2018