

CIRCULAR DATED 13 FEBRUARY 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of Sunpower Group Ltd. ("**Company**") held through The Central Depository (Pte) Ltd ("**CDP**"), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or the transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Special General Meeting and the enclosed Depositor Proxy Form (as defined herein) to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities is to be made by the Company in the United States.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the Conversion Shares is not to be taken as an indication of the merits of the Convertible Bonds, the Proposed Convertible Bonds Issue, the Conversion Shares (each as defined herein), the Company, its subsidiaries and their securities.

YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" ON PAGES 26 TO 28 OF THIS CIRCULAR FOR A DISCUSSION ON CERTAIN RISKS IN CONNECTION WITH THE ORDINARY RESOLUTIONS TO BE PASSED AT THE SPECIAL GENERAL MEETING.



CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) **THE PROPOSED SUBSCRIPTION BY GLORY SKY VISION LIMITED (ULTIMATELY INDIRECTLY AND BENEFICIALLY OWNED BY CDH FUND V, L.P.) OF CONVERTIBLE BONDS DUE 2022 OF AN AGGREGATE PRINCIPAL AMOUNT OF US\$110 MILLION WITH AN INITIAL CONVERSION PRICE OF S\$0.50 ("PROPOSED CONVERTIBLE BONDS ISSUE")**
- (2) **THE PROPOSED ISSUE OF CONVERSION SHARES PURSUANT TO THE PROPOSED CONVERTIBLE BONDS ISSUE**
- (3) **THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
- (4) **THE PROPOSED POTENTIAL TRANSFER OF CONTROLLING INTEREST TO GLORY SKY VISION LIMITED (OR ITS TRANSFEREES) PURSUANT TO THE CONVERSION OF ALL THE CONVERTIBLE BONDS**

Arranger and Financial Adviser



IMPORTANT DATES AND TIMES

Last date and time for deposit of Depository Proxy Form	:	27 February 2017 at 10.30 a.m.
Date and time of Special General Meeting	:	1 March 2017 at 10.30 a.m.
Place of Special General Meeting	:	Level 6, Vanda 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594

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DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Additional Shares”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Adjusted PATMI”	:	Adjusted net profit attributable to equity owners of the Company, as more particularly described in Appendix 1 to this Circular
“Adjustment Threshold”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Arranger and Financial Adviser” or “SCCL”	:	Stirling Coleman Capital Limited
“Board”	:	The board of Directors as at the date of this Circular
“Bondholder”	:	The person in whose name a Convertible Bond is registered
“Bonds” or “Convertible Bonds”	:	Convertible bonds due 2022 of an aggregate principal amount of US\$110 million to be issued by the Company to the Investor pursuant to the Purchase Agreement and the Terms and Conditions
“Bermuda Companies Act”	:	The Companies Act 1981 of Bermuda, as amended or modified from time to time
“Bye-laws”	:	The bye-laws of the Company as amended, modified or supplemented from time to time
“CDH”	:	CDH China Management Company Limited
“CDH Fund V”	:	CDH Fund V, L.P.
“CDH V Manager”	:	CDH V Management Company Limited, a limited liability company incorporated under the laws of the Cayman Islands
“CDP”	:	The Central Depository (Pte) Limited
“Change of Control”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Circular”	:	This circular to Shareholders dated 13 February 2017
“Closing”	:	The closing of the purchase and issue of the Bonds in accordance with the terms of the Purchase Agreement
“Closing Date”	:	The date on which Closing occurs in accordance with the terms of the Purchase Agreement
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Cogeneration Facilities”	:	Has the meaning ascribed to it in paragraph 3.6(a) of this Circular
“Company”	:	Sunpower Group Ltd.
“Conditions Precedent”	:	Has the meaning ascribed to it in paragraph 3.2 of this Circular
“Control”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular

DEFINITIONS

“Conversion Price”	:	The price at which Shares will be issued upon conversion will initially be S\$0.50, but will be subject to adjustment in the manner provided in the Terms and Conditions
“Conversion Shares”	:	The new fully paid Shares to be allotted and issued by the Company following the conversion of the Convertible Bonds from time to time in accordance with the Terms and Conditions
“Depositor Proxy Form”	:	Has the meaning ascribed to it in paragraph 15 of this Circular
“Directors”	:	The directors of the Company, as at the date of this Circular
“Enlarged Share Capital”	:	The enlarged share capital of the Company comprising 1,110,245,142 Shares on a fully-diluted basis, assuming full conversion of the Bonds at the initial Conversion Price of S\$0.50 and issuance of 313,368,000 Conversion Shares, and assuming the issue of 59,220,000 Shares pursuant to the outstanding options granted under the ESOS as at the Latest Practicable Date are exercised in full
“EPS”	:	Earnings per Share
“ESOS”	:	The employee share option scheme approved by the Shareholders at a special general meeting of the Company held on 29 April 2015
“Excess Performance Adjustment Sharing”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Excess Performance Adjustment Sharing Proceeds”	:	Means the proceeds received by the Company pursuant to the Excess Performance Adjustment Sharing
“Excess Return Sharing”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Excess Return Sharing on 2x and 20% IRR (if applicable)”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Excess Return Sharing on 3x and 25% IRR (if applicable)”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Excess Return Sharing Proceeds”	:	Means the proceeds received by the Company pursuant to the Excess Return Sharing
“Existing Share Capital”	:	The issued share capital of the Company as at the Latest Practicable Date of US\$7,376,571.42 comprising 737,657,142 Shares
“Final Exit”	:	The sale by the Investor or its transferees of all Conversion Shares or redemption of all the Bonds, as the case may be, resulting in the Investor or its transferees not holding any Bonds or Conversion Shares
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries

DEFINITIONS

“Interest”	:	The cash coupon of 2.5% per annum on the Bonds, and the difference between the amount of dividends paid by the Company in a financial year which would have been received by the Investor (on an as converted basis) and the amount of cash coupon for such financial year
“Internal Return Rate “ or “IRR”	:	In respect of any Bond held by the Investor, the annual rate based on a 365-day period used to discount each cash flow in respect of such Bond (such cash flow to include subscription or purchase consideration, cash dividends, interest and distributions received, cash received from redemption and cash received from the sale of Shares issued upon conversion of such Bond) to the original issuance date such that the present value of the aggregate cash flows equals zero
“Investor”	:	Glory Sky Vision Limited, being the purchaser of the Convertible Bonds
“Investor Director”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Investor Proceeds”	:	Proceeds received by the Investor (or its transferees) in relation to a Final Exit including, <i>inter alia</i> , sale proceeds and interest and less transaction costs incurred for the Final Exit. In the context of Excess Return Sharing, “Investor Proceeds” shall exclude any Excess Performance Adjustment Sharing Proceeds which may have been paid by the Investor (or its transferees) to the Company
“Issue Date”	:	The date of issue of the Convertible Bonds
“Key Men”	:	Mr Guo Hongxin and Mr Ma Ming, collectively
“Latest Practicable Date”	:	31 January 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as may be amended or modified from time to time
“Liutuan Project”	:	Has the meaning ascribed to it in paragraph 3.6(b) of this Circular
“Management Incentive Scheme”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Maturity Date”	:	The 5 th anniversary of the date of issuance of the Bonds
“Negative Pledge”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Net Proceeds”	:	Has the meaning ascribed to it in paragraph 3.6 of this Circular
“Notice of SGM”	:	Notice of SGM set out in this Circular
“NTA”	:	Net tangible assets
“Performance Adjustment”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Performance Targets”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular

DEFINITIONS

“PRC”	:	People’s Republic of China
“Pre-Emptive Right”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Proposed Convertible Bonds Issue”	:	The proposed issue of Convertible Bonds to the Investor pursuant to the Purchase Agreement
“Proposed Increase in Authorised Share Capital”	:	The proposed increase of authorised share capital of the Company by US\$6,000,000 from US\$8,000,000 divided into 800,000,000 Shares of US\$0.01 each to US\$14,000,000 divided into 1,400,000,000 Shares of US\$0.01 each
“Proposed Potential Transfer of Controlling Interest”	:	The proposed potential transfer of a controlling interest in the Company to the Investor (or its transferees) under the circumstances described in this Circular as a result of the Proposed Convertible Bonds Issue
“Proposed Recipient”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“Proposed Transactions”	:	The Proposed Convertible Bonds Issue, the proposed issue of Conversion Shares, the Proposed Increase in Authorised Share Capital and the Proposed Potential Transfer of Controlling Interest, collectively
“Purchase Agreement”	:	The purchase agreement dated 14 December 2016 between the Company and the Investor pursuant to which the Company has agreed to issue, and the Investor has agreed to purchase, the Bonds on the terms and conditions set out therein, amended and supplemented by the letter agreement dated 9 February 2017 between the Company and the Investor
“Redemption YTM”	:	Total IRR of 8.0% per annum, compounded annually, and taking into account all interest, cash dividends and/or distributions paid by the Company and received by Bondholders in respect of such Bonds
“Registration Date”	:	The date on which a Bondholder is registered in the Company’s register of members pursuant to its exercise of the conversion rights attaching to the Bonds and the subsequent conversion of the Bonds into Conversion Shares
“Relevant Event”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“RMB”	:	Renminbi or Chinese Yuan
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGM”	:	The special general meeting of the Company to be held on 1 March 2017, notice of which is set out on pages 58 to 60 of this Circular
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shantou Project”	:	Has the meaning ascribed to it in paragraph 3.6(a) of this Circular
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
“Shares”	:	Issued ordinary shares in the capital of the Company (excluding treasury Shares)
“SIC”	:	The Securities Industry Council of Singapore
“Singapore Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Singapore Share Transfer Agent”	:	RHT Corporate Advisory Pte. Ltd.
“Subsequent Issuance”	:	One or more issuances of Shares, securities convertible or exchangeable into Shares by the Company to any unrelated third parties, during the period from the Closing Date to 31 December 2019, where the aggregate gross proceeds from such issuances is not more than US\$70,000,000.
“Substantial Shareholder”	:	A person whose interest or interests in one or more voting Shares in the Company carry total votes of not less than 5% of the total votes attaching to all the voting Shares in the Company
“Sunpower Technology”	:	Sunpower Technology (Jiangsu) Co., Ltd (中圣科技(江苏)有限公司), a wholly-owned subsidiary of the Company
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“Terms and Conditions”	:	The terms and conditions of the Convertible Bonds
“Undertakings”	:	Has the meaning ascribed to it in paragraph 4 of this Circular
“US\$” or “USD”	:	United States dollars
“VWAP”	:	Volume weighted average price of the Shares
“2014 Placement”	:	Has the meaning ascribed to it in paragraph 11(a) of this Circular
“2014 Placement Shares”	:	Has the meaning ascribed to it in paragraph 11(a) of this Circular
“2015 Placement”	:	Has the meaning ascribed to it in paragraph 11(b) of this Circular
“2015 Placement Shares”	:	Has the meaning ascribed to it in paragraph 11(b) of this Circular
“9M2016”	:	Has the meaning ascribed to it in paragraph 3.1 of this Circular
“%” or “per cent.”	:	Percentage or per centum

The expressions **“associate”**, **“associated company”**, **“related entity”**, **“related corporation”** and **“subsidiary”** shall have the meaning ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offer of Investment) (Shares and Debentures) Regulations 2005, the Singapore Companies Act and the Listing Manual.

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Bermuda Companies Act, the Singapore Companies Act, the SFA, the Listing Manual or any modification thereof and used in this Circular shall have the same meaning assigned to it thereunder, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in tables included herein (if any) between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

LETTER TO SHAREHOLDERS

SUNPOWER GROUP LTD.

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

Directors

Guo Hong Xin (Executive Director, Chairman)
Ma Ming (Executive Director)
Jiang Ning (Independent Director)
Lau Ping Sum Pearce (Independent Director)
Chin Sek Peng (Independent Director)

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Date: 13 February 2017

To: The Shareholders of Sunpower Group Ltd.

Dear Sir/Madam

- (1) **PROPOSED SUBSCRIPTION BY GLORY SKY VISION LIMITED (ULTIMATELY INDIRECTLY AND BENEFICIALLY OWNED BY CDH FUND V, L.P.) OF CONVERTIBLE BONDS DUE 2022 OF AN AGGREGATE PRINCIPAL AMOUNT OF US\$110 MILLION WITH AN INITIAL CONVERSION PRICE OF S\$0.50 ("PROPOSED CONVERTIBLE BONDS ISSUE")**
- (2) **THE PROPOSED ISSUE OF CONVERSION SHARES PURSUANT TO THE PROPOSED CONVERTIBLE BONDS ISSUE**
- (3) **THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
- (4) **THE PROPOSED POTENTIAL TRANSFER OF CONTROLLING INTEREST TO GLORY SKY VISION LIMITED (OR ITS TRANSFEREES) PURSUANT TO THE CONVERSION OF ALL THE CONVERTIBLE BONDS**

1. INTRODUCTION

The Board refers to the Company's announcement dated 14 December 2016 in connection with its entry into the Purchase Agreement relating to the proposed issue of Convertible Bonds due 2022 of an aggregate principal amount of US\$110 million to the Investor, convertible into Conversion Shares at the initial Conversion Price of S\$0.50 each.

The purpose of this Circular is to provide Shareholders with relevant information pertaining to and to seek the approval of Shareholders for the Proposed Transactions at the SGM to be held on 1 March 2017 at 10.30 a.m. at Level 6, Vanda 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, the notice of which is attached to this Circular.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Circular.

2. RATIONALE OF THE PROPOSED CONVERTIBLE BONDS ISSUE

Since December 2015, the Group has secured various projects relating to energy saving and environmental protection in the PRC. Such projects include the centralised steam and electricity facilities and concessions in the Gaoyang Circular Economy Industrial Park located in Hebei Province, the Lianshui Economic Development Zone located in Jiangsu Province, and the Anhui Quanjiao Economic Development Zone located in Anhui Province. The Group intends to further invest in the green energy sector and such energy and environmental projects.

LETTER TO SHAREHOLDERS

The Company intends to apply all the Net Proceeds from the Proposed Convertible Bonds Issue towards the expansion and further investment into green investments related business, including by way of Build-Operate-Transfer (BOT), Build-Owned-Operate (BOO) and/or Transfer-Operate-Transfer (TOT) models of centralised steam and electricity projects and other environmental protection related projects that generate return on investment and annual recurring income satisfactory to the Company.

The Directors are of the view that the Investor will be a value-added partner to the Company. The Investor is ultimately owned by CDH Fund V. CDH V Manager is the manager of CDH Fund V. CDH V Manager is a wholly owned subsidiary of CDH. Founded in 1995, CDH is one of the leading private equity companies that focuses on growth capital and middle market buyout investments in Greater China and has approximately US\$19 billion assets under its management as at 30 September 2016. The Group believes that it will benefit from CDH's resources, operational expertise and in-depth knowledge of the China market. Please refer to paragraph 5 of this Circular for more information on the Investor.

3. PROPOSED CONVERTIBLE BONDS ISSUE

3.1 Principal Terms of the Proposed Convertible Bonds Issue

Pursuant to the Purchase Agreement, the Company has agreed to issue Convertible Bonds due 2022 of an aggregate principal amount of US\$110 million to the Investor and the Investor has agreed to purchase and pay for the Convertible Bonds, subject to the Terms and Conditions.

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Principal Amount	:	US\$110 million.
Initial Conversion Price	:	S\$0.50, subject to any adjustment in accordance with the Terms and Conditions.
Interest	:	The Bonds shall bear Interest on their principal amount from and including the Issue Date until the Maturity Date.
Performance Targets	:	The Group is required to achieve performance targets (" Performance Targets ") calculated based on the Adjusted PATMI (excluding fair value gain and losses of the Bonds, accrued interest at effective rate in excess of the Interest of the Bonds, non-recurring income from the sale of assets and businesses and other mutually agreed accounting adjustments as detailed in Appendix 1 to this Circular) as set out below:-

RMB	FY2017	FY2018	FY2019
Performance Target	255,555,556	400,000,000	440,000,000
Adjustment Threshold	Not applicable	360,000,000	396,000,000
Floor	Not applicable	230,000,000	230,000,000

Solely for illustrative purposes, based on the audited financial statements for FY2015 and the unaudited financial statements for the nine months ended 30 September 2016 ("**9M2016**"), the realised Adjusted PATMI for FY2015 and 9M2016 are approximately RMB 81.5 million and RMB 87.5 million, respectively.

LETTER TO SHAREHOLDERS

Performance Adjustment

If the Company fails to meet the adjustment threshold (being 90% of the Performance Target then in effect for the relevant financial year) in a financial year during the period from 1 January 2018 to 31 December 2019 (“**Adjustment Threshold**”), the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately before such adjustment by the following fraction:-

$$\frac{A}{B}$$

Where:-

- A: in respect of FY2018 and FY2019, shall be the higher of (a) the Adjusted PATMI for the relevant financial year and (b) RMB 230 million; and
- B: is the Adjustment Threshold for the relevant financial year (subject to revision for FY2019 as set out further below).

There shall be no adjustment to the Conversion Price in respect of FY2018 if the Adjusted PATMI for FY2018 is less than the Adjustment Threshold for FY2018 but not less than 80% of the Performance Target for FY2018, provided that the Adjustment Threshold for FY2019 shall be increased by the amount of the shortfall between the Adjusted PATMI for FY2018 and the Adjustment Threshold for FY2018.

Please refer to **Appendix 2** to this Circular for illustrations on the impact of adjustments to the Conversion Price pursuant to the Terms and Conditions (“**Performance Adjustments**”).

Excess Performance Adjustment Sharing

If Performance Adjustments have been applied to reduce the Conversion Price and upon Final Exit the Investor (or its transferees) nonetheless receives Investor Proceeds in excess of the target return (being, (a) an amount which is 2.5 times the principal amount of such Bonds, if the relevant Final Exit is on or before the Maturity Date, or (b) an amount which is 2.5 times the principal amount of such Bonds and which would generate a total IRR of 20%, if the relevant Final Exit is after the Maturity Date), the Investor (or its transferees) will pay to the Company an amount equal to the lesser of (i) the amount of such excess and (ii) the amount of Investor Proceeds that the Investor (or its transferees) would not have received if the Performance Adjustment had not been applied (collectively referred to as “**Excess Performance Adjustment Sharing**”).

The Directors will determine the use of Excess Performance Adjustment Sharing Proceeds (if any) at a later date, as and when received. Excess Performance Adjustment Sharing Proceeds will not be utilised for the Management Incentive Scheme (if any).

For the avoidance of doubt, the Excess Performance Adjustment Sharing (if any) and the Excess Return Sharing (if any) (further details of which are set out below) are distinct. The Excess Performance Adjustment Sharing will be determined first, followed by the Excess Return Sharing (where applicable). Please refer to Part 5 of **Appendix 2** to this Circular for illustrations on the Excess Performance Adjustment Sharing followed by the Excess Return Sharing.

LETTER TO SHAREHOLDERS

Excess Return Sharing : Upon Final Exit, in the event that:-

- (i) the Investor (or its transferees) receives Investor Proceeds in excess of (a) 2 times the principal amount of the Bonds (if the Final Exit occurs on or before the Maturity Date); or (b) 2 times the principal amount of the Bonds and which would generate a total IRR of 20% on its investment (if the Final Exit occurs after the Maturity Date) (collectively referred to as “**Excess Return Sharing on 2x and 20% IRR (if applicable)**”), the Investor (or its transferees) will pay to the Company an amount equal to the lesser of (A) the amount of excess and (B) US\$10 million; or
- (ii) the Investor (or its transferees) receives Investor Proceeds in excess of: (a) 3 times the principal amount of the Bonds (if the Final Exit occurs on or before the Maturity Date); or (b) 3 times the principal amount of the Bonds and which would generate a total IRR of 25% on its investment (if the Final Exit occurs after the Maturity Date) (collectively referred to as “**Excess Return Sharing on 3x and 25% IRR (if applicable)**”), the Investor (or its transferees) will pay to the Company an amount equal to US\$30 million

(collectively referred to as “**Excess Return Sharing**”).

In the event that the Company receives Excess Return Sharing Proceeds, the Company proposes to distribute 50% of the Excess Return Sharing Proceeds to the Shareholders by way of special dividend and to utilise the remaining 50% for a management incentive scheme for management employees, as may be determined and allocated by the Remuneration Committee of the Company based on the performance and contribution of the management employees (“**Management Incentive Scheme**”). The management employees eligible to participate in the Management Incentive Scheme may include, but is not limited to, the Key Men as members of the management of the Company. Each of the Key Men in his capacity as a Director, will abstain from voting in respect of any determination or allotment of the Management Incentive Scheme for management employees, if any.

For the avoidance of doubt, there will be no further Shareholders’ approval sought for the application of the Excess Return Sharing Proceeds towards the Management Incentive Scheme, which may include, without limitation, the Key Men.

Illustration of Excess Return Sharing on 2x and 20% IRR (if applicable)

- (a) Upon Final Exit, if there is Excess Return Sharing on 2x and 20% IRR (if applicable), it is proposed that a total amount equal to or up to US\$10 million, on the receipt of such monies by the Company, would be shared equally between the Shareholders (excluding the Investor (or its transferees)) by way of special dividend and used for the Management Incentive Scheme for which allocation will be determined by the Remuneration Committee.
- (b) Solely for illustrative purposes, assuming the Final Exit occurs on or before the Maturity Date:
 - (1) if the Investor (or its transferees) receives Investor Proceeds of US\$221 million (whereby US\$220 million equals to 2 times the principal amount of the Bonds of US\$110 million), the Investor (or its transferees) will pay the Company the sum of US\$1 million; and

LETTER TO SHAREHOLDERS

- (2) if the Investor (or its transferees) receives Investor Proceeds of between US\$230 million (inclusive) and US\$330 million (exclusive), the Investor (or its transferees) will pay the Company the sum of US\$10 million.
- (c) Solely for illustrative purposes, if the Excess Return Sharing on 2x and 20% IRR (if applicable) is US\$1 million, on the receipt of such Excess Return Sharing Proceeds by the Company: (i) Shareholders will be entitled to an aggregate of US\$0.5 million by way of special dividend amounting to approximately US\$0.627 per 1000 Shares; and (ii) US\$0.5 million will be used for the Management Incentive Scheme.
- (d) Solely for illustrative purposes, if the Excess Return Sharing on 2x and 20% IRR (if applicable) is US\$10 million, on the receipt of such Excess Return Sharing Proceeds by the Company: (i) Shareholders will be entitled to an aggregate of US\$5 million by way of special dividend amounting to approximately US\$6.274 per 1000 Shares; and (ii) US\$5 million will be used for the Management Incentive Scheme.

Illustration of Excess Return Sharing on 3x and 25% IRR (if applicable)

- (a) Upon Final Exit, if there is Excess Return Sharing on 3x and 25% IRR (if applicable), it is proposed that a total amount equal to US\$30 million, on the receipt of such monies by the Company, would be shared equally between the Shareholders (excluding the Investor (or its transferees)) by way of special dividend and used for the Management Incentive Scheme, for which the allocation will be determined by the Remuneration Committee.

For the avoidance of doubt, in the event that there is Excess Return Sharing on 3x and 25% IRR (if applicable), the Investor (or its transferees) will not be required to pay the Excess Return Sharing on 2x and 20% IRR (if applicable).

- (b) Solely for illustrative purposes, assuming the Final Exit occurs on or before the Maturity Date, if the Investor (or its transferees) receives Investor Proceeds of at least US\$330 million (whereby US\$330 million equals to 3 times the principal amount of the Bonds of US\$110 million), the Investor (or its transferees) will pay the Company the sum of US\$30 million.
- (c) Solely for illustrative purposes, if the Excess Return Sharing on 3x and 25% IRR (if applicable) is US\$30 million, on the receipt of such monies by the Company: (i) Shareholders will be entitled to an aggregate of US\$15 million by way of special dividend which amounts to approximately US\$18.823 per 1000 Shares; and (ii) US\$15 million will be used for the Management Incentive Scheme.

Notes:

- (1) Shareholders should note that the Excess Return Sharing will only arise when there is a Final Exit by the Investor (or its transferees). There is no assurance that there will be a Final Exit by the Investor (or its transferees) or when the Final Exit will occur (which may be after the Maturity Date) or of the amount of the return which the Investor (or its transferees) may achieve at their Final Exit.

There is also no assurance that the Company will receive any Excess Return Sharing.

- (2) Shareholders should note that it is possible for the Excess Return Sharing to arise after the Excess Performance Adjustment Sharing has occurred. Please refer to Part 5 of **Appendix 2** to this Circular for illustrations in this regard.

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- (3) In the above illustrations, the special dividend per Share was calculated on a fully-diluted basis and based on 796,877,142 Shares (being the Existing Share Capital and assuming the issue of 59,220,000 Shares pursuant to the exercise of all outstanding options under the ESOS as at the Latest Practicable Date).
- (4) The illustrations above were calculated based on gross special dividend, and has not taken into account the professional and other potential expenses in connection with the corporate exercise of a declaration of special dividend.
- (5) The illustrations were prepared based on US\$. Shareholders should note that special dividends (if any) will be paid in S\$ at the prevailing exchange rate.
- (6) For the avoidance of doubt, in the event that the Investor transfers some only (but not all) of its rights and obligations under the Purchase Agreement to third party transferee(s), the Investor and its transferee(s) will be liable to pay such applicable Excess Return Sharing Proceeds to the Company in the proportion of the number of Conversion Shares or Bonds (as the case may be) held by each of them respectively.

**Investor
Directors**

- : Subject always to the continued compliance by the Company with the Listing Manual and the Singapore Code of Corporate Governance 2012, so long as (a) any of the Bonds remains outstanding or (b) the Investor and any transferee(s) thereof in aggregate hold at not less than 5% of the Shares on a fully-diluted basis:-
- (i) the Investor and any transferee(s) thereof shall in aggregate be entitled to nominate up to two (2) persons to be non-executive directors of the Company (each an “**Investor Director**”); and
 - (ii) each of the Remuneration Committee and the Nominating Committee of the Company will include the Investor Directors.

Shareholders should note that the right of the Investor and any transferee(s) to nominate Investor Directors to the Board of the Company is a nomination right, rather than an appointment right, and on this basis, any appointment of the Investor Director(s) to the Board will be subject to the continued compliance by the Company with the Listing Manual, the Singapore Code of Corporate Governance and the Bye-laws, and the requisite votes by Shareholders. In addition, the Nominating Committee shall at all times consider the sufficiency of independence on the Board and Board committees, the Board's operational effectiveness, and ensure that there is not an inordinate amount of influence by a single shareholder (including but not limited to the Investor or its transferees) relating to Board matters. This position was commercially agreed upon between the Company and the Investor following arm's length negotiations, and in the context of the Proposed Convertible Bonds Issue. It was agreed upon in order to allow the Investor to have information rights and participate in Board meetings, having regard to its significant investment in the Company by way of the Proposed Convertible Bonds Issue.

As non-executive directors of the Company, the Investor Directors will not be entitled to participate in the Management Incentive Scheme. As members of the Remuneration Committee, they are entitled to discuss and/or vote on the allocation of the Management Incentive Scheme to management employees.

As at the Latest Practicable Date, the Investor has nominated one (1) person to be appointed as an Investor Director. Please refer to **Appendix 5** to this Circular for information on the business and working experience of the Investor Director nominated by the Investor.

Issue Price

- : 100% of the aggregate principal amount of the Bonds.

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- Maturity Date** : On the fifth anniversary from the Issue Date.
- Conversion Period** : Subject to and in compliance with the Terms and Conditions, Bondholders may exercise the right to convert any Bond into Conversion Shares at any time on and after the Issue Date up to the close of business on the date that is five (5) business days before the Maturity Date, or if the Bondholder has given notice to the Company requiring it to redeem such Bond before the Maturity Date pursuant to the Terms and Conditions, then up to the close of business on a date no later than seven (7) business days prior to the date fixed for redemption thereof.
- Form and Denomination** : The Bonds will be issued in registered form in the denomination of US\$100,000 or integral multiples thereof, without coupons attached.
- Status of the Bonds** : The Bonds will constitute direct, unsubordinated, unsecured and unconditional obligations of the Company. The Bonds shall at all times rank *pari passu* and without any preference or priority among themselves.
- The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable laws and subject to the condition relating to the Negative Pledge, at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.
- Status of the Conversion Shares** : The Conversion Shares to be issued by the Company will in all respects rank *pari passu* with the Shares in issue on the relevant date of issue. Save as set out in the Terms and Conditions, a holder of the Conversion Shares will not be entitled to any rights the record date for which precedes the relevant issue date.
- Subsequent Issuance and Pre-Emptive Right** : The Company may issue Shares, securities convertible or exchangeable into Shares or other equity securities of any type or class ("**Additional Shares**") to any person ("**Proposed Recipient**") in connection with the Subsequent Issuance, provided that:
- (a) the Company has offered to the Investor (as the original Bondholder) the right to acquire, and the Investor shall have the option to acquire, all or any portion of the Additional Shares to be issued pursuant to such Subsequent Issuance at a price equal to the consideration per Additional Share to be paid by the Proposed Recipient and otherwise on terms and conditions that are no less favourable than the terms offered to the Proposed Recipient; and
 - (b) the Company shall consult the Investor on the pricing and valuation of such Subsequent Issuance prior to carrying out such Subsequent Issuance.

The Company shall offer to each of the Bondholders the right to acquire, and the Bondholders shall have the option to acquire, its *pro rata* share (assuming the Bonds then held by a Bondholder have been converted into Shares) of such Additional Shares at a price equal to the consideration per Additional Share to be paid by the Proposed Recipient and otherwise on the same terms and conditions that are no less favourable than the terms offered to such Proposed Recipient.

Such right to acquire such Additional Shares as described above is referred to as "**Pre-Emptive Right**".

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Insofar as the issue of Additional Shares (whether or not Bondholders exercise their Pre-Emptive Right) does not fall within the scope of any adjustment event set out in the Terms and Conditions (as set out in **Appendix 3** to this Circular), there will be no adjustment to the Conversion Price. However, in the event that an issue of Additional Shares falls within the scope of an adjustment event (even if Bondholders participate in such issuance), the Conversion Price will be adjusted in accordance with the Terms and Conditions.

Conversion Price Adjustments : The Conversion Price shall be subject to adjustments in relation to, *inter alia*, Share consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares, options or other securities, issues at less than the Conversion Price then in effect, issues at less than current market price of the Shares, modification of rights of conversion, other offers to the Shareholders and the satisfaction by the Company of the Performance Targets.

The Conversion Price shall not be adjusted as a result of any issue of Shares by the Company pursuant to the ESOS or any further employee share option scheme (such further share option scheme to be subject to the approval of majority Bondholders in accordance with the Terms and Conditions).

Please refer to **Appendix 3** to this Circular for an extract of the conditions relating to adjustments to the Conversion Price specified in the Terms and Conditions.

Redemption at the Option of the Bondholders : If the Adjusted PATMI for any FY is less than the Adjusted PATMI for the immediately preceding FY during the term of the Bonds, Bondholders will have the right to require the Company to redeem their Bonds at a redemption price equal to (i) 100% of the outstanding principal amount of the Bonds, plus (ii) accrued and unpaid interest on the outstanding principal amount, plus (iii) a premium that would generate for such Bondholder the Redemption YTM, assuming that the Bondholder acquired such Bonds at the initial principal amount on the Issue Date and taking into account all interest, cash dividends and/or distributions paid by the Company and received by the Bondholder in respect of such Bond (and would have been paid by the Company and received by the Bondholder had the Bondholder acquired such Bonds at the initial principal amount on the Issue Date).

In addition, following the occurrence of a Relevant Event, Bondholders will have the right to require the Company to redeem their Bonds at a redemption price equal to (i) 100% of their principal amount, plus (ii) unpaid interest accrued to but excluding the redemption date, plus (iii) a premium that would generate for the Bondholder the Redemption YTM.

A “**Relevant Event**” occurs when:-

- (i) the Shares cease to be listed or admitted to trading on the SGX-ST or any alternative stock exchange (as relevant);
- (ii) there is a Change of Control of the Company (save where such control is attributed to the Investor, Bondholders or any of them and their respective affiliates), including but not limited to beneficial ownership of or right to exercising voting power in respect of more than 30% of the issued Shares; or

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- (iii) the Company consolidates with, merges or amalgamates into or transfers its assets substantially as an entirety to any corporation or conveys or transfers its properties and assets substantially as an entirety to any person.

“**Control**” of a person means (i) beneficial ownership of, or the right to exercise voting power in respect of, more than 30% of the issued share capital of such person or (ii) possession of the right, or sufficient voting power, to appoint, elect and/or remove all or a majority of the members of such person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

“**Change of Control**” occurs when:-

- (i) any person or persons (other than the Bondholders or any of them and their respective affiliates) acting together acquires Control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date;
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control of the Company or the successor entity; or
- (iii) any person or persons (other than persons referred to in paragraph (i) above and other than the Bondholders or any of them and their respective affiliates) acquires the legal or beneficial ownership of all or substantially all of the Company’s issued share capital.

Redemption at Maturity : Unless previously redeemed or converted and cancelled, the Company will redeem each Bond at the Maturity Date at a redemption price equal to (i) 100% of the outstanding principal amount, plus (ii) accrued and unpaid interest on the outstanding principal amount of the Bond, plus (iii) a premium that would generate for the Bondholder the Redemption YTM. The Company may not redeem the Bonds at its option prior to that date.

Transfer : Any Bondholder may transfer all or any of the Bonds to any person (save as set out in the Bye-laws and other than to persons regarded as resident in Bermuda for exchange control purposes).

Restrictive Covenants : During the period between the signing of the Purchase Agreement and closing of the subscription for and issue of the Bonds, the Company will not, without the prior written consent of the Investor, cause or permit any member of the Group to, *inter alia*:-

- (a) amend any provisions of its constitutional documents (except where required for compliance with applicable laws as well as the Listing Manual);
- (b) carry on any business other than its existing business or make any change in the nature or scope of its business;
- (c) merge, amalgamate or consolidate any member of the Group with any other entity;

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- (d) issue, redeem, repurchase any securities other than the issuance of the Bonds and of the issuance of Shares pursuant to the ESOS, or undertake any recapitalisation or similar transaction;
- (e) consolidate, sub-divide, convert, reclassify or redesignate any of its share capital;
- (f) change its auditors or accounting policies;
- (g) change its jurisdiction of incorporation;
- (h) pass any resolution which would result in its winding up, liquidation or entering into administration or receivership; or
- (i) declare or make any dividend or other distribution, save that the Company may declare a dividend of up to RMB8 million for FY2016.

**Other
Covenants**

- : So long as there are Bonds outstanding that are convertible into at least 5% of the Shares in issue on a fully-diluted basis, the Company shall not, and shall procure that none of its subsidiaries will, without the prior consent of the majority Bondholders, *inter alia*:-
- (a) make any alteration or amendment to the Company's memorandum of association or bye-laws (except where required for compliance with applicable laws as well as the Listing Manual);
 - (b) change its business scope or expand into non-core business areas;
 - (c) voluntarily delist the Company from the SGX-ST or list the securities of the Company on any other stock exchange;
 - (d) issue, offer, or sell, contract to sell, pledge or otherwise dispose of any bond instruments, any ordinary shares or securities convertible or exchangeable into Shares, warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the ordinary shares, save for the Conversion Shares or any Shares or securities issued pursuant to the Subsequent Issuance, or enter into any off-balance-sheet financing and guarantees, save in connection with the ordinary course of business of the Group;
 - (e) adopt or approve any annual budget or business plan, capital expenditure plan, or any material modification thereof, extension of credit facility or amendments thereof, resulting in a material positive or negative change to the financial position of the Company of more than 10%;
 - (f) change the size or composition of its board of directors;
 - (g) change its audit firm or change its accounting policies;
 - (h) implement and/or change its dividend policy;
 - (i) adopt any other employee share option plan;
 - (j) change the compensation of a Key Man, or appoint or remove or settle the terms of appointment of a Key Man;

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- (k) provide any loan or guarantee or pledge any of its present or future assets;
- (l) enter into any agreement that restricts the payment of any dividend or other distribution;
- (m) acquire or dispose of any material assets or businesses except as contemplated in the current business plan of the Company; or
- (n) to the extent not covered above, take any voluntary corporate action with respect to which the Listing Manual would require the Company to obtain Shareholders' approval.

Negative Pledge : So long as any of the Bonds remains outstanding or any amount is due under or in respect of any Bond, the Company will not, and will procure that none of its subsidiaries will (directly or indirectly), without prior written consent of a majority Bondholders, incur, create, assume or permit to subsist or arise any lien upon or in respect of the whole or any part of its or their respective present or future assets or revenues, unless the Bonds are forthwith secured by the same lien therewith or by such other security as the majority Bondholders would approve ("**Negative Pledge**").

The abovementioned restriction shall not apply to any security or lien necessary to secure any non-recourse indebtedness incurred by a subsidiary of the Company solely for projects or business undertaken by the Group.

Events of Default : Upon the occurrence of any event of default specified in the Terms and Conditions, each Bondholder will be entitled to exercise its right to redeem the Bonds, at a price that may generate for the Bondholder a total IRR of 20%, assuming that the Bondholder acquired such Bond at its initial principal amount on the Issue Date and taking into account all interest, cash dividends and/or distributions paid by the Company and received by the Bondholder (and would have been paid by the Company and received by the holder had the Bondholder acquired such Bond at its initial principal amount on the Issue Date) in respect of such Bond.

Please refer to **Appendix 4** to this Circular for an extract of the provisions relating to the events of default specified in the Terms and Conditions.

Liquidation : If the Company or any of its subsidiaries is insolvent, bankrupt or unable to pay its debts, stops or threatens to stop payment of all or a material part of its debts, proposes or makes any agreement for deferral of all or any material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors; an administrator or liquidator of the Company or any of its subsidiaries or the whole or any part of the assets and turnover of the Company or any of its subsidiaries is appointed, then any Bond may be declared immediately due and payable whereupon it shall become immediately due and payable at a price that may generate for the Bondholder a total IRR of 20%, assuming that the Bondholder acquired such Bond at its initial principal amount on the Issue Date and taking into account all interest, cash dividends and/or distributions paid by the Company. In such circumstances, save for such exceptions as may be provided by applicable laws and subject to the condition relating to the Negative Pledge, the payment obligations of the Company under the Bonds shall rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations, and rank *pari passu* without any preference or priority among themselves.

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Governing Law : Laws of Singapore.

No party to the Purchase Agreement is obligated to take any action or omit to take any action under the Purchase Agreement that it believes, in good faith, would cause it to be in violation of any applicable laws as well as the Listing Manual.

3.2 Conditions Precedent

The Proposed Convertible Bonds Issue is subject to, *inter alia*, the following conditions ("**Conditions Precedent**"):-

- (a) the approval of Shareholders at the SGM being obtained in respect of, *inter alia*, (i) the Proposed Convertible Bonds Issue; (ii) the issuance of the Conversion Shares upon conversion of the Bonds; and (iii) the Proposed Potential Transfer of Controlling interest (in the event all the Bonds are converted into Conversion Shares), and such approval remaining in full force and effect;
- (b) the approval in-principle of the SGX-ST for the listing of and quotation for the Conversion Shares on the SGX-ST upon conversion of any of the Bonds having been obtained and not having been revoked or amended;
- (c) the contents of the supplemental disclosure schedule, which may be delivered, at the option of the Company, by the Company to the Investor pursuant to the terms and conditions of the Purchase Agreement (if delivered) being satisfactory to the Investor in all respects;
- (d) there shall have been delivered to the Investor, each in a form satisfactory to the Investor, opinions, dated the Closing Date, of (i) legal advisers to the Investor as to Bermudan law, and (ii) legal advisers to the Investor as to Singapore law;
- (e) each of the Key Men having executed the Undertakings in favour of the Investor, and there shall not have been any breach of the terms thereunder;
- (f) at the Closing Date, (i) each of the representations, warranties and undertakings of both the Company and the Investor, respectively, shall be true, complete and correct in all respects, and as if made on such date, (ii) each of the Company and the Investor shall have performed and complied with all of their respective obligations under the Purchase Agreement that are to be performed or complied with on or before such date, and (iii) there shall have been delivered to each of the Investor and the Company by the other a certificate, dated on such date, of a duly authorised officer of either the Company or the Investor, as may be applicable, to such effect;
- (g) the Company having duly attended to and carried out all corporate procedures that are required under the laws of its place of incorporation or establishment to effect the execution, delivery and performance of the Purchase Agreement and the transactions contemplated thereby, and having provided copies of all resolutions to the Investor;
- (h) there shall be no governmental authority or other person that has instituted or threatened any legal, arbitral or administrative proceedings or inquiry against any member of the Group to restrain or otherwise challenge the Proposed Convertible Bonds Issue, or proposed or enacted any statute or regulation which would prohibit or delay implementation of the Proposed Convertible Bonds Issue or the operation of any member of the Group;
- (i) there shall have been since the date of the Purchase Agreement, in the reasonable opinion of the Investor, no event, circumstance or change that would reasonably be expected to have a material adverse effect on the condition (financial or otherwise) of the Group taken as a whole;

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- (j) the Company having delivered to the Investor (i) duly executed agreement of indemnity in favour of the Investor Directors, and (ii) evidence that directors' and officers' indemnity insurance has been taken out in respect of the Investor Directors in an amount, and from an insurer, that is satisfactory to the Investor;
- (k) all approvals, if any, required to be obtained under any anti-trust, competition or similar legal requirements in connection with the transaction contemplated hereby shall have been obtained;
- (l) the Shares shall remain listed on the SGX-ST and the public trading in the Shares on the SGX-ST shall not have been suspended;
- (m) the Proposed Convertible Bonds Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Purchase Agreement; and
- (n) no member of the Group shall have taken any of the following actions since the date of the Purchase Agreement: (i) make any investment or commitment except in the ordinary course of its business; (ii) borrow any sum including any renewal of existing credit facilities except in the ordinary course of its business; (iii) sell, dispose of or transfer any of its assets, business or shares except in the ordinary course of its business; or (iv) create any encumbrance over the whole or any part of its undertaking, property or assets.

In the event any of the Conditions Precedent is not fulfilled or waived on or before 30 June 2017 (or such other date as the Company and the Investor may agree), the parties may terminate the Purchase Agreement.

3.3 Conversion Price

The Bonds are convertible into new fully paid Conversion Shares, at the initial Conversion Price of S\$0.50 per Conversion Share in accordance with the Terms and Conditions. The initial Conversion Price of S\$0.50 represents a trailing 12 months fully-diluted price-earnings ratio of 21.8 times¹, and a premium of approximately 17.1%, 10.5% and 1.6% to the past six months VWAP of S\$0.4269, three months VWAP of S\$0.4526 and one month VWAP of S\$0.4920, respectively, prior to the closing price on 12 December 2016, being the last trading date prior to the date of the Company's announcement relating to the Proposed Convertible Bonds Issue.

3.4 Conversion Shares

In the event that the Bonds are converted in full, based on the initial Conversion Price of S\$0.50² per Conversion Share, the number of Conversion Shares to be allotted and issued by the Company to the Investor (or its transferees) will be 313,368,000, representing approximately 28.23% of the Enlarged Share Capital, which is based on the assumption that the outstanding options under the ESOS as at the Latest Practicable Date are exercised in full. In connection with the Proposed Convertible Bonds Issue and, in particular, the issue of Conversion Shares upon conversion of the Bonds, the Company will seek Shareholders' approval for the Proposed Increase in Authorised Share Capital. Please refer to paragraph 12 of this Circular for more information.

Assuming that the Bonds are converted in full at a Conversion Price which has been adjusted in accordance with the Terms and Conditions, a maximum of 844,479,493 Conversion Shares may be allotted and issued to the Investor (or its transferees), representing approximately 51.45% of the Shares on a fully-diluted basis of 1,641,356,635 Shares. Please refer to **Appendix 2** to this Circular for an illustration of adjustments relating to the Conversion Price. The Company will be seeking specific approval from Shareholders under Resolutions 1 and 2 as set out in the Notice of SGM relating to, *inter alia*, the issue of the Bonds and the issue of such number of Conversion Shares as may be required to be allotted and issued in accordance with the Terms and Conditions, respectively.

¹ The trailing 12 months price-earnings ratio is calculated based on the initial Conversion Price of S\$0.50, trailing 12 months net profits attributable to shareholders of RMB124,677,000 (1 October 2015 and 30 September 2016), the Enlarged Share Capital and the exchange rate of RMB4.895:\$1 as at 30 September 2016.

² The fixed exchange rate of US\$1:S\$1.4244 will be used for purposes of calculating the number of Conversion Shares to be allotted and issued.

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As the Conversion Price (as may be adjusted in accordance with the Terms and Conditions) may amount to a discount of more than 10% of the prevailing market price of the Share prior to conversion, the Company will be seeking Shareholders' approval for the issue of Conversion Shares in accordance with Rule 811(3) of the Listing Manual. Please refer to Resolution 2 set out in the Notice of SGM.

In the event that there is a conversion of Bonds by a Bondholder, based on a Conversion Price which has been adjusted in accordance with the Terms and Conditions, and that such conversion results in a Bondholder holding 30% or more of the voting rights attached to the Shares, such Bondholder will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Code. Under Rule 14 of the Code, where any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, such person is required, except with the consent of the SIC, to make a mandatory general offer, for all remaining issued shares in the company concerned which he and/or his concert parties do not already own, control or have agreed to acquire.

Shareholders should note that there is no assurance that a Bondholder will exercise its right of conversion in respect of any or all the Bonds, nor that the Conversion Price will be adjusted. Shareholders should note there is therefore no certainty that there will be any mandatory general offer made by a Bondholder on conversion of any or all of the Bonds.

The Conversion Shares when issued upon conversion of the Convertible Bonds will be fully paid and in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in the Terms and Conditions, a holder of the Conversion Shares shall not be entitled to any rights, the record date for which precedes the relevant Registration Date.

3.5 Adjustment and Modification

Please refer to **Appendix 3** to this Circular for an extract of the conditions relating to adjustments to the Conversion Price as specified in the Terms and Conditions.

In compliance with Rule 829 of the Listing Manual, the terms of the Convertible Bonds will provide for:

- (a) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (b) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible notice of expiry to be sent to all holders of the company warrants or other convertible securities at least one month before the expiration date; and
- (c) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

In compliance with Rule 830 of the Listing Manual, the Company will announce any adjustment made pursuant to Rule 829(1) of the Listing Manual.

3.6 Use of Proceeds

The net proceeds from the Proposed Convertible Bonds Issue will be approximately US\$106.0 million, being approximately S\$150.5 million³ ("**Net Proceeds**") (after deducting estimated transaction expenses of approximately US\$4.0 million, being approximately S\$5.7 million). The Company intends to apply all the Net Proceeds towards the expansion and further investment into green investments related business, including by way of Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and/or Transfer-Operate-Transfer (TOT) models of centralised steam and electricity projects and other environmental protection related projects that generate return on investment and annual recurring income satisfactory to the Company.

³ The exchange rate of US\$1:S\$1.420 as at the Latest Practicable Date has been applied throughout this paragraph 3.6.

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The Company has identified the following new projects for the use of Net Proceeds:

(a) *Shantou Project*

As disclosed in the Company's announcements on 7 December 2016 and 18 January 2017, Sunpower Technology (a wholly-owned subsidiary of the Company), as part of a consortium of companies, was awarded the Public-Private-Partnership project in Shantou Chaonan, Guangdong Province, the PRC ("**Shantou Project**"). The Shantou Project will comprise cogeneration power and centralised steam facilities, industrial wastewater treatment plant, water recycling plant and related ancillary assets. The Group is expected to participate solely in the design, build and operation of cogeneration power and centralised facilities ("**Cogeneration Facilities**").

The total investment amount for the Shantou Project will be approximately RMB3.2 billion, comprising funds for the Cogeneration Facilities, industrial wastewater treatment plant, water recycling plant and related ancillary assets. The project value of the Cogeneration Facilities is estimated to be up to approximately RMB1.6 billion and will be completed in two phases. The investment in Phase 1 of the Cogeneration Facilities is estimated to be approximately RMB700.0 million, for which the Group will contribute up to approximately RMB132.6 million (approximately S\$27.3 million⁴) by way of capital in a joint venture company to be incorporated.

(b) *Liutuan Project*

As announced on 16 January 2017, Sunpower Technology was granted a concession to build and operate a centralised heat transfer oil facility in the Liutuan Industrial Park located in Changyi City, Shandong Province, the PRC ("**Liutuan Project**"). The Liutuan Project will be carried out in phases, and Phase 1 of the Liutuan Project will involve the construction of pulverised coal-fired heat transfer oil boilers, pulverised coal centre and distribution pipelines to supply heat transfer oil to dyeing companies in the Liutuan Industrial Park.

The total investment amount for the Liutuan Project will be approximately RMB338 million (approximately S\$69.7 million), with the investment amount for Phase 1 estimated to be approximately RMB250 million (approximately S\$51.6 million).

The breakdown of the use of Net Proceeds is set out below:

Use of Net Proceeds	Net Proceeds (US\$ million)	Percentage of Net Proceeds
Investment in Phase 1 of the Shantou Project ⁽¹⁾	19.2 ⁽²⁾	18.0%
Investment in Phase 1 of the Liutuan Project ⁽¹⁾	10.6 ⁽³⁾	10.0%
Expansion and investment into other green investments related business	76.2 ⁽⁴⁾	72.0%
Total	106.0⁽⁵⁾	100.0%

Notes:

- (1) The balance of the investment amounts will be funded by bank loans and internally generated funds.
- (2) Approximately RMB132.6 million or S\$27.3 million.
- (3) Approximately RMB73.0 million or S\$15.1 million.
- (4) Approximately RMB524.6 million or S\$108.2 million.
- (5) Approximately RMB729.7 million or S\$150.5 million.
- (6) The exchange rate of US\$1:RMB6.884 as at the Latest Practicable Date has been applied.

⁴ The exchange rate of S\$1:RMB4.849 as at the Latest Practicable Date has been applied throughout this paragraph 3.6.

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The Group is evaluating other green investments related projects, and the bids for such projects are confidential in nature and there is no assurance that the Group will succeed in the bids for such projects. The Company will update Shareholders as and when such projects are secured and the corresponding amount of funds involved, if material.

The Company will announce the use of Net Proceeds as and when such funds are materially disbursed and whether such use is in accordance with the stated use. Where there is any material deviation from the stated use of Net Proceeds, the Company will announce the reasons for such deviation.

3.7 Arranger and Financial Adviser

Stirling Coleman Capital Limited has been appointed as the Arranger in relation to the Proposed Convertible Bonds Issue and Financial Adviser to the Company. SCCL has no interest in the Shares, save for certain directors and shareholders of SCCL who own Shares. However, none of such directors and shareholders of SCCL is a Substantial Shareholder.

3.8 Approval in-Principle from the SGX-ST

An application has been made to the SGX-ST for the approval of the listing and quotation of the Conversion Shares. On 9 February 2017, the SGX-ST granted its approval in-principle in relation to the listing of and quotation for up to 844,479,493 Conversion Shares, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval of the Proposed Convertible Bonds Issue;
- (c) announcement of the conditions under which the conversion price of the Conversion Shares may be adjusted and the conditions under which Bonds may be redeemed; and
- (d) submission of the following documents:
 - (i) a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the Proposed Convertible Bonds Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
 - (ii) a written confirmation from the Company that it will comply with Rule 803 of the Listing Manual;
 - (iii) a written confirmation from the Company that it will not place the Bonds to persons prohibited under Rule 812(1) of the Listing Manual;
 - (iv) a written confirmation from the Company that the terms of the Bonds comply with Rule 829(1) of the Listing Manual;
 - (v) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Listing Manual; and
 - (vi) a written undertaking from the Company that it will comply with Rule 831 of the Listing Manual.

The approval in-principle granted by the SGX-ST in respect of the Conversion Shares is not to be taken as an indication of the merits of the Proposed Convertible Bonds Issue, the Convertible Bonds, the Conversion Shares, the Group or their securities.

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4. IRREVOCABLE UNDERTAKINGS

Each of the Key Men has also given an irrevocable undertaking to the Investor ("**Undertakings**"), *inter alia*:

- (a) not to dispose of more than 25% of the aggregate interest of the Key Men (held directly or indirectly) in the Shares as at the date of the Purchase Agreement, until all the Bonds have been converted, redeemed or sold. For the avoidance of doubt, pursuant to this Undertaking, the Key Men are required to hold at least an aggregate of 207,193,719 Shares (representing approximately 28.09% of the Existing Share Capital) until such time when all the Bonds have been converted, redeemed or sold;
- (b) so long as (i) any of the Bonds remains outstanding or (ii) the Investor holds not less than 5% of the Shares on a fully-diluted basis, in respect of Mr Guo Hong Xin and Mr Ma Ming, to remain as the executive chairman or executive director of the Company, respectively;
- (c) in their capacity as Shareholders, to vote in favour of the Proposed Transactions at the SGM, in respect of Shares held by them which in aggregate represent approximately 33.31% of the issued Shares as at the date of the Purchase Agreement;
- (d) in their capacity as Shareholders, to vote in favour of the appointment of the Investor Directors to the Board of Directors at any general meeting of the Company, in respect of Shares held by them which in aggregate represent approximately 33.31% of the issued Shares as at the date of the Purchase Agreement;
- (e) in their capacity as directors, to vote in favour of the appointment of the Investor Directors to the Board of Directors; and
- (f) in respect of Mr Guo Hong Xin, in his capacity as a member of the Nominating Committee of the Company, to vote in favour of the appointment of the Investor Directors to the Nominating Committee.

As at the Latest Practicable Date, the Key Men hold (directly and indirectly) an aggregate of 276,258,291 Shares (representing approximately 37.45% of the Existing Share Capital). Please refer to paragraph 12 of this Circular for further particulars on the shareholding interests of the Directors and Substantial Shareholders.

5. INFORMATION ON THE INVESTOR

The information in this section relating to the Investor is based on publicly available information or the information provided and/or representations made by the Investor to the Company. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

The Investor is an investment holding company incorporated in the British Virgin Islands and ultimately owned by CDH Fund V, an exempted limited partnership organised under the laws of the Cayman Islands. CDH V Manager, a limited liability company incorporated under the laws of the Cayman Islands, is the manager of CDH Fund V. CDH V Manager is a wholly owned subsidiary of CDH. Founded in 1995, CDH is one of the leading private equity companies that focuses on growth capital and middle market buyout investments in Greater China. CDH seeks to create value in its private equity investments by working as a partner with management and bringing its resources, operational expertise and in-depth knowledge of the PRC market to its portfolio companies. CDH Fund V's investor base includes two Asian sovereign wealth funds and two public pension funds from North America.

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As at the Latest Practicable Date, neither CDH Fund V nor the Investor holds any Shares. To the best of the knowledge of the Directors, neither CDH Fund V nor the Investor has any connections (including business dealings) with the Company, its Directors and Substantial Shareholders. CDH Fund V and the Investor does not fall within any of the categories as set out in Rule 812 of the Listing Manual, which include:

- (a) the issuer's directors and substantial shareholders;
- (b) immediate family members of the directors and substantial shareholders;
- (c) substantial shareholders, related companies (as defined in Section 6 of the Singapore Companies Act), associated companies and sister companies of the issuer's substantial shareholders;
- (d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; and
- (e) to the best of the knowledge of the Company, any person who, in the opinion of the SGX-ST, falls within category (a) to (d).

As at the Latest Practicable Date, the Investor is not holding the Convertible Bonds and the Conversion Shares to be issued upon conversion in trust or as a nominee. For the avoidance of doubt, the Investor is not holding the Convertible Bonds and the Conversion Shares to be issued upon conversion in trust or as a nominee for any categories of persons as set out in Rule 812(1) of the Listing Manual.

6. RISK FACTORS

Risk factors that are material to Shareholders and prospective investors in making an informed judgement on the Proposed Convertible Bonds Issue are set out below. The risks described below are not intended to be exhaustive. Shareholders should carefully consider and evaluate each of the following risks and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Convertible Bonds Issue.

6.1 Conversion of the Bonds and, where applicable, any downward adjustments to the Conversion Price will dilute the ownership interests of existing Shareholders and could adversely affect the market price of the Shares

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders. Any sales in the public market of the Conversion Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Convertible Bonds may encourage short selling of the Shares by market participants.

In the event of a performance shortfall, the Conversion Price may be subject to downward adjustment. Such downward adjustment of the Conversion Price would allow the Bondholders to convert their Bonds at a lower Conversion Price compared to the Conversion Price initially stipulated in the Terms and Conditions. Conversion carried out at a lower Conversion Price will result in the Bondholders receiving more Shares and consequently, may result in a further dilution in the shareholding interests of all other Shareholders.

Please refer to **Appendix 2** and **Appendix 3** to this Circular for the schedule and illustration of performance shortfall adjustments and for an extract of the conditions relating to adjustments to the Conversion Price specified in the Terms and Conditions, respectively.

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6.2 Pre-Emptive Right of Bondholders may result in dilution to the shareholding interests of existing Shareholders

The Pre-Emptive Right granted to Bondholders under the Terms and Conditions give the Bondholders the right to, *inter alia*, participate in an issue which will result in the issue of Additional Shares to a Bondholder. Please refer to paragraph 3.1 of this Circular under the heading “Subsequent Issuance and Pre-Emptive Right” for more information. Such exercise of Pre-Emptive Rights by the Bondholders may also limit the opportunities for existing Shareholders to participate in such future fundraising activities of the Company, and result in a dilution of the shareholding interests of existing Shareholders.

6.3 Rule 14 of the Code may be triggered due to conversion of the Bonds, any downward adjustments to the Conversion Price (where applicable), and the exercise of Pre-Emptive Rights in relation to Additional Shares to be issued

Shareholders should note that under Rule 14 of the Code, a person and persons acting in concert with it will incur an obligation to make a mandatory general offer for the Company if, *inter alia*, it and persons acting in concert with it acquire Shares carrying 30% or more of the voting rights of the Company. The effect of Rule 14 of the Code with respect to the exercise by a Bondholder of its Conversion Rights is that unless exempted, such Bondholder and persons acting in concert with it will incur a mandatory general offer obligation under Rule 14 of the Code if it receives Conversion Shares (based on a Conversion Price which has been adjusted in accordance with the Terms and Conditions) which results in it holding 30% or more of the share capital of the Company.

Shareholders should note that there is no assurance that a Bondholder will exercise its right of conversion in respect of any or all the Bonds, nor that the Conversion Price will be adjusted. Shareholders should note there is therefore no certainty that there will be any mandatory general offer made by a Bondholder on conversion of any or all of the Bonds.

Furthermore, in the event a Bondholder, pursuant to its Pre-Emptive Right, increases its shareholding in the Company, such Additional Shares as may be issued to it together with any Conversion Shares it may have, may result in it and its concert parties holding 30% or more of the Shares, thereby incurring a mandatory general offer obligation pursuant to Rule 14 of the Code.

Shareholders should note that there is again no assurance that a Bondholder will exercise its Pre-Emptive Right. Shareholders should note there is again therefore no certainty that there will be any mandatory general offer made by a Bondholder on the issuance of any Additional Shares.

6.4 The Bondholders have the right to require the Company to redeem the Convertible Bonds in certain circumstances which will reduce the amount of cash flow available to the Company

Unless previously redeemed or converted and cancelled as provided in the Terms and Conditions, the Company will redeem each Bond at the Maturity Date at a redemption price equal to (i) 100% of the outstanding principal amount, plus (ii) accrued and unpaid Interest on the outstanding principal amount of the Bond, plus (iii) a premium that would generate for the holder of each Bond the Redemption YTM. The Company may not redeem the Bonds at its option prior to that date.

The Bondholders are further entitled to require the Company to redeem all or some only of their Convertible Bonds in certain circumstances prior to the Maturity Date at a redemption price equal to (i) 100% of their principal amount, plus (ii) unpaid Interest accrued to but excluding the redemption date, plus (iii) a premium that would generate for the holder of each Bond the Redemption YTM. Such circumstances referred to would be (i) the occurrence of one of the three Relevant Events as described in paragraph 3.1 of this Circular; and (ii) where the Adjusted PATMI for any financial year is less than the Adjusted PATMI for the immediately preceding financial year. For more information, please refer to paragraph 3.1 of this Circular under the headings “Redemption at the Option of the Bondholders” and “Redemption at Maturity”. To effect such redemption, the Company will have to utilise its existing cash resources and/or undertake alternative financing to raise cash. In the case of the former, the amount of cash flow available to the Company after effecting the redemption of the Convertible Bonds will be reduced and in the case of the latter, there is no assurance that the Company is able to secure alternative financing on commercially favourable terms.

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In the event that the Company is unable to redeem the Convertible Bonds within the timeframe stipulated in the Terms and Conditions, this may trigger an event of default under the Terms and Conditions, meaning that any Bond may become immediately due and payable at a price that may generate for the holder of such Bond a total IRR of 20%, assuming that the holder acquired such Bond at its initial principal amount on the Issue Date. Please refer to **Appendix 4** to this Circular for an extract of the conditions relating to events of default under the Terms and Conditions.

6.5 The outstanding indebtedness of the Company will increase substantially with the issue of the Convertible Bonds, which may negatively affect its results of operations or future financing activities

After giving effect to the issue of the Convertible Bonds, the Company's long-term debt excluding current portions will increase substantially. This increased indebtedness may impact the Company by (a) increasing its interest expense and related debt service costs, (b) making it more difficult to obtain additional financing and (c) constraining its ability to react quickly in an unfavourable economic climate. Any of these events may in turn negatively affect the results of operations or future financing activities of the Company.

6.6 The Terms and Conditions contain certain covenants which require the approval of majority Bondholders for various corporate actions by the Company

Under the Terms and Conditions, so long as there are Bonds outstanding that are convertible into at least 5% of the Shares based on the Enlarged Share Capital, the prior written consent of the majority Bondholders is required for certain corporate matters described in paragraph 3.1 of this Circular under the heading "Other Covenants". If such Bondholder consent is not obtained, the Company may not seek the approval of Shareholders for such corporate matters. Such matters include but are not limited to changing the Company's business scope, issuing securities (other than Conversion Shares or pursuant to the Subsequent Issuance), changing the size and composition of the Company's board of directors (other than the appointment of Investor Directors) including the Key Men, changing the compensation of the Key Men or altering the terms of their appointment, changing the Company's audit firm (other than one of the Big Four audit firms), or taking any voluntary corporate action which would require Shareholders' approval.

Therefore, the Company may be restricted and prevented from undertaking such corporate actions. In the event that the Company does not comply with any of these covenants, this may similarly trigger an event of default under the Terms and Conditions.

In addition, such restrictive covenants on the Company may discourage, delay or deter a potential take-over bid by third-party buyers.

6.7 The Company may not be able to adequately monitor the Final Exit of the Investor (or its transferees) in connection with the Excess Performance Adjustment Sharing and the Excess Return Sharing

The Excess Performance Adjustment Sharing Proceeds and/or the Excess Return Sharing Proceeds payable to the Company (if any) depend to a large extent on the amount of Investor Proceeds received by the Investor (or its transferees) following its Final Exit. Please refer to paragraph 3.1 of this Circular for further details. Although the Company has obtained an undertaking from the Investor to notify it of any sale of Conversion Shares by it, the Investor is not required to provide the Company with any documentary evidence relating to the sale price in connection with its Final Exit, and the Company will need to rely on accurate notifications from the Investor. Therefore, the Company may not be able to adequately monitor the sale of Conversion Shares or Bonds by the Investor (or its transferees) or verify the amounts of Excess Performance Adjustment Sharing Proceeds and/or the Excess Return Sharing Proceeds it may be entitled to receive.

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7. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the Company has an authorised share capital of US\$8,000,000 divided into 800,000,000 Shares of US\$0.01 each, and an issued share capital of US\$7,376,571.42 comprising 737,657,142 Shares.

In the event that the Investor (or its transferees) converts all the Bonds at the initial Conversion Price of S\$0.50 each, 313,368,000 Conversion Shares will be issued. Therefore, to facilitate the issue of Conversion Shares upon conversion of the Bonds based on the Conversion Price, which is subject to adjustment in accordance with the Terms and Conditions, the Company proposes to increase its authorised share capital by US\$6,000,000 from US\$8,000,000 divided into 800,000,000 Shares of US\$0.01 each to US\$14,000,000 divided into 1,400,000,000 Shares of US\$0.01 each. Accordingly, the Company will seek the approval of Shareholders for the Proposed Increase in Authorised Share Capital at the SGM to be convened.

8. PROPOSED POTENTIAL TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without prior approval by Shareholders in a general meeting. Under the Listing Manual, a controlling shareholder is a person who (a) holds directly or indirectly 15% or more of the total number of issued Shares, or (b) in fact exercises control over the Company.

As at the Latest Practicable Date, the Investor does not hold any Shares. Assuming completion of the Proposed Convertible Bonds Issue, and in the event that the Investor (or its transferees) converts all the Bonds at the Conversion Price of S\$0.50 each, the Investor (or its transferees) will be issued 313,368,000 Conversion Shares, which will represent approximately 28.23% of all the Enlarged Share Capital. Conversion of the Bonds by the Investor (or its transferees) such that it is issued Conversion Shares amounting to 15% or more of the fully-diluted share capital will cause a transfer of controlling interest in the Company. Accordingly, the Company is seeking the approval of Shareholders for the Proposed Potential Transfer of Controlling Interest.

Please refer to paragraph 12 of this Circular for the change in shareholding interests of the Directors, Substantial Shareholders and the Investor pursuant to the Proposed Transactions.

Shareholders should note that a potential transfer of controlling interest in the Company may arise only in the event that the Bonds are converted such that the Investor (or its transferees) is issued Conversion Shares amounting to 15% or more of the fully-diluted share capital, as described above.

9. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has considered (i) the benefits of and rationale for the Proposed Convertible Bonds Issue; and (ii) the terms of the Convertible Bonds as a whole (including but not limited to the Conversion Price, cash coupon, Performance Targets, Performance Adjustments in the event of Performance Shortfall and corresponding lower Conversion Price as well as lowest potential Conversion Price, dilutive effect on Shareholders as well as maximum potential dilution, Excess Performance Adjustment Sharing, Excess Return Sharing, Redemption YTM and effective interest rate), and is of the view that the terms of the Convertible Bonds are not prejudicial to the interests of the Company and the Shareholders.

In relation to the Performance Targets, the Audit Committee has made due and careful enquiries with the management on the reasonableness of the bases and assumptions underlying the Performance Targets. Such enquiries include discussions with management on the nature and size of projects, projects in the pipeline, revenue and expected return to be generated from the projects, tariffs, and future outlook of this industry due to the PRC's drive to reduce smog pollution. In addition, the Audit Committee also commissioned an independent professional service firm to carry out agreed-upon procedures on the key bases and assumptions in arriving at the Performance Targets in particular relating to green investment projects which will account for a significant proportion of the Performance Targets.

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The Audit Committee notes the rationale for the Proposed Convertible Bonds Issue, as described in paragraph 2 of this Circular, and that the Proposed Convertible Bonds Issue was made on an arm's length basis, as described in paragraph 3 of this Circular.

The Audit Committee considers the issue of the Convertible Bonds to the Investor to be in the best interests of the Company and the Shareholders based on the key reasons below.

(a) *Sizeable and critical capital for expansion in BOT/BOO/TOT of environmental protection related projects so as to generate growth and recurring income for the Group*

The issue size of US\$110 million is sizeable and will be critical for the Group's expansion and further investment into green investments related business, including by way of Build-Operate-Transfer (BOT), Build-Owned-Operate (BOO) and/or Transfer-Operate-Transfer (TOT) models of centralised steam and electricity projects and other environmental protection related projects. Such investments, if successful, will generate both growth and annual recurring income for the Group, and this will be beneficiary to the Group and the Shareholders.

(b) *The Convertible Bonds will be issued on reasonable terms*

(i) The Conversion Price represents a trailing 12 months fully-diluted price-earnings ratio of 21.8 times⁵, and a premium of approximately 17.1%, 10.5% and 1.6% to the past six months VWAP of S\$0.4269, three months VWAP of S\$0.4526 and one month VWAP of S\$0.4920, respectively, prior to the closing price on 12 December 2016, being the last trading date prior to the date of the Company's announcement relating to the Proposed Convertible Bonds Issue; and

(ii) The relatively low interest rate of 2.5% per annum payable on the Convertible Bonds.

(c) *The Investor is expected to be a valued-added partner*

As set out under paragraph 4 of this Circular entitled "Information on the Investor" of this Circular, CDH is one of the leading private equity companies that focuses on growth capital and middle market buyout investments in Greater China. The Audit Committee considers that given the credentials and track record of CDH, CDH may create value for the Group through its resources, operational expertise and in-depth knowledge of the PRC markets.

(d) *The Key Men are committed to the Company's long-term partnership with the Investor*

Each of the Key Men is also committed to the Company's long-term partnership with the Investor, and has given the Investor an irrevocable undertaking, *inter alia*, as follows:

(i) each of the Key Men has given the Investor irrevocable undertakings not to dispose of more than 25% of the aggregate interest of the Key Men (held directly or indirectly) in the Shares as at the date of the Purchase Agreement, until all the Bonds have been converted, redeemed or sold;

(ii) so long as (A) any of the Bonds remains outstanding or (B) the Investor holds not less than 5% of the Shares on a fully-diluted basis, in respect of Mr Guo Hong Xin and Mr Ma Ming, to remain as the executive chairman or executive director of the Company, respectively; and

(iii) to vote in favour of the Proposed Transactions.

The Audit Committee believes that the show of support by the Key Men for the Company's long-term partnership with the Investor is beneficial to the Company and the Shareholders.

⁵ The trailing 12 months price-earnings ratio is calculated based on the Conversion Price of S\$0.50, trailing 12 months net profits attributable to shareholders of RMB124,677,000 (1 October 2015 and 30 September 2016), the Enlarged Share Capital and the exchange rate of RMB4.895:S\$1 as at 30 September 2016.

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10. FINANCIAL EFFECTS

Set out below are the financial effects of the Proposed Convertible Bonds Issue immediately after the issuance, and assuming the full conversion of the Bonds into Conversion Shares. The financial effects are illustrated based on the assumptions as set out below.

The computations are purely for illustrative purposes only and do not reflect the actual financial results and financial position of the Group after the Proposed Convertible Bonds Issue. In particular, the financial effects on the financial performance and position of the Group assuming the Net Proceeds have been deployed have not been taken into account as there is no way to ascertain the financial effects of deployment of Net Proceeds in an accurate manner.

10.1 EPS

Set out below are the financial effects on the EPS, assuming the Convertible Bonds had been issued on 1 January 2016 and 1 January 2015:

	9M2016 ⁽¹⁾	9M2016, assuming the Bonds were issued on 1 January 2016 and not converted as at 30 September 2016	9M2016, assuming the Bonds were issued on 1 January 2016 and converted on 30 September 2016, and based on the Enlarged Share Capital
Income attributable to Shareholders (RMB' million)	87.5	38.0 ⁽¹⁾⁽²⁾	69.2 ⁽¹⁾⁽²⁾
No. of Shares ('million)	737.7	737.7	1,110.2 ⁽³⁾
EPS (RMB cents)	11.86	5.15 ⁽¹⁾⁽²⁾	6.23 ⁽¹⁾⁽²⁾⁽³⁾

	FY2015	FY2015, assuming the Bonds were issued on 1 January 2015 and not converted as at 31 December 2015	FY2015, assuming the Bonds were issued 1 January 2015 and converted on 31 December 2015, and based on the Enlarged Share Capital
Income attributable to Shareholders (RMB' million)	81.5	15.4 ⁽¹⁾⁽²⁾	57.1 ⁽¹⁾⁽²⁾
No. of Shares ('million)	737.7	737.7	1,110.2 ⁽³⁾
EPS (RMB cents)	11.05	2.09 ⁽¹⁾⁽²⁾	5.14 ⁽¹⁾⁽²⁾⁽³⁾

Notes:

- (1) Assuming that the Bonds are issued and there is no conversion, for illustrative purposes, the financing cost takes into account the aggregate of (i) 8.0% per annum (based on Redemption YTM of 8.0%) on US\$110 million; and (ii) amortisation of the Bond issuance expenses at US\$0.8 million per annum (total estimated issuance expenses of US\$4.0 million amortised over the five (5) year tenure of the Bonds).

Assuming that the Bonds are issued and converted, for illustrative purposes, the financing cost takes into account the aggregate of (i) the cash coupon of 2.5% per annum on US\$110 million; and (ii) the amortisation of the Bonds issuance expenses at US\$0.8 million per annum.

Under financial reporting standards, the Bonds have to be bifurcated into a debt component and a derivative component, representing the fair value of the option given to a Bondholder. The effective financing cost will be calculated with reference to the debt component; and may vary from the above illustrative calculation. The derivative component will be subject to fair value adjustment at each reporting date with changes to fair value recorded in the profit and loss statement. The above illustration does not account for the bifurcation and the effect of changes in the fair value of the conversion option over time.

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- (2) The deployment of Net Proceeds of the Proposed Convertible Bonds Issue has not been taken into account, as there is no way to ascertain the financial effects of deployment of Net Proceeds on the earnings in an accurate manner.
- (3) The computation of number of Shares assumes no performance shortfall and no adjustment to the initial Conversion Price of S\$0.50. For the avoidance of doubt, in the event any Performance Adjustment to the Conversion Price is necessary, such adjustment will be computed based on the Company's actual audited financial statements for FY2018 and FY2019. Please refer to **Appendix 2** to this Circular for an illustration of the effects of Performance Adjustments.

For illustrative purposes, the EPS is calculated based on the earnings divided by the Enlarged Share Capital at the end of the respective periods. Under financial reporting standards, the number of shares used for calculating EPS is based on the time-weighted number of shares in issue during the period.

10.2 NTA per Share

Set out below are the financial effects on the NTA per Share, assuming the Convertible Bonds had been issued as at 30 September 2016 and 31 December 2015:

	As at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued on 30 September 2016 and not converted as at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued and converted on 30 September 2016, and based on the Enlarged Share Capital
NTA (RMB' million) ⁽¹⁾	755.2	755.2 ⁽¹⁾⁽²⁾⁽³⁾	1,484.9 ⁽¹⁾⁽²⁾
No. of Shares ('million)	737.7	737.7	1,110.2 ⁽³⁾
NTA per Share (RMB cents)	102.37	102.37 ⁽¹⁾⁽²⁾	133.74 ⁽¹⁾⁽²⁾⁽³⁾

	As at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued on 31 December 2015 and not converted as at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued and converted on 31 December 2015, and based on the Enlarged Share Capital
NTA (RMB' million) ⁽¹⁾	964.1	964.1 ⁽²⁾	1,693.8 ⁽²⁾
No. of Shares ('million)	737.7	737.7	1,110.2 ⁽³⁾
NTA per Share (RMB cents) ⁽¹⁾	130.69	130.69 ⁽²⁾	152.56 ⁽²⁾⁽³⁾

Notes:

- (1) NTA represents net assets attributable to Shareholders. It excludes intangible assets and goodwill but include land use rights.
- (2) The financial effects on NTA and NTA per Share takes into account the Net Proceeds from the Proposed Convertible Bonds Issue of approximately US\$106.0 million, after deducting estimated issuance expenses of approximately US\$4.0 million.
- (3) The computation of number of Shares assumes no performance shortfall and no adjustment to the initial Conversion Price of S\$0.50. For the avoidance of doubt, in the event any Performance Adjustment to the Conversion Price is necessary, such adjustment will be computed based on the Company's actual audited financial statements for FY2018 and FY2019. Please refer to **Appendix 2** to this Circular for an illustration of the effects of Performance Adjustments.

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10.3 Net Gearing

Set out below are the financial effects on the gearing, assuming the Convertible Bonds had been issued as at 30 September 2016 and 31 December 2015:

	As at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued on 30 September 2016 and not converted as at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued and converted on 30 September 2016
Net Gearing (times)⁽¹⁾	0.28	0.97	0.17

	As at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued on 31 December 2015 and not converted as at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued and converted on 31 December 2015
Net Gearing (times)⁽¹⁾	0.06	0.81	0.03

Note:

- (1) Net gearing is calculated based on net debt divided by equity attributable to Shareholders. Net debt is calculated based on interest bearing borrowings including the Net Proceeds of the Proposed Convertible Bonds Issue of approximately US\$106 million, and less cash and cash equivalents. For this illustration, cash and cash equivalents exclude the Net Proceeds on the assumption that they are fully deployed to provide a more meaningful gearing position.

10.4 Issued Share Capital

Set out below are the financial effects on the issued Share capital, assuming the Convertible Bonds had been issued as at 30 September 2016 and 31 December 2015:

	As at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued on 30 September 2016 and not converted as at 30 September 2016	As at 30 September 2016, assuming the Bonds were issued and converted on 30 September 2016, and based on the Enlarged Share Capital
No. of Shares ('million)	737.7	737.7	1,110.2
Issued and paid up share capital (US\$ million)⁽¹⁾	7.4	7.4	11.1 ⁽²⁾

	As at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued on 31 December 2015 and not converted as at 31 December 2015	As at 31 December 2015, assuming the Bonds were issued and converted on 31 December 2015, and based on the Enlarged Share Capital
No. of Shares ('million)	737.7	737.7	1,110.2
Issued and paid up share capital (US\$ million)⁽¹⁾	7.4	7.4	11.1 ⁽²⁾

LETTER TO SHAREHOLDERS

Notes:

- (1) The issued and paid up share capital is calculated based on a par value of US\$0.01 per Share. The difference between the initial Conversion Price of S\$0.50 per Share and the par value of the Share is classified as share premium which is not reflected in the above table.
- (2) The computation of number of Shares assumes no performance shortfall and no adjustment to the initial Conversion Price of S\$0.50. For the avoidance of doubt, in the event any Performance Adjustment to the Conversion Price is necessary, such adjustment will be computed based on the Company's actual audited financial statements for FY2018 and FY2019. Please refer to **Appendix 2** to this Circular for an illustration of the effects of Performance Adjustments.

10.5 Other Assumptions

Other than the assumptions set out above, the other assumptions are as follows:

- (a) the Enlarged Share Capital is as defined under the section entitled "Definitions" of this Circular; and
- (b) the exchange rates of US\$1:S\$1.4244 as set out in the Purchase Agreement and US\$1:RMB6.884 as at the Latest Practicable Date have been used.

11. PREVIOUS FUNDRAISING ACTIVITIES

The Company has raised funds from the equity capital markets in the two (2) years prior to the Latest Practicable Date as follows:

(a) *Share Placement in 2014*

On 23 April 2014, the Company entered into a placement agreement with SCCL, pursuant to which SCCL agreed, on a best endeavour basis, to procure subscribers for up to 65,800,000 new Shares ("**2014 Placement Shares**") for an aggregate amount of up to approximately S\$9.2 million ("**2014 Placement**"). On 12 May 2014, 65,800,000 2014 Placement Shares were allotted and issued, and the net proceeds of approximately S\$8.9 million were intended to be utilised for additional working capital requirements of the Group.

The Company had announced the use of net proceeds from the 2014 Placement for the purchase of raw materials in its announcement on 18 September 2014. The net proceeds from the 2014 Placement were fully applied in accordance with the intended purposes as announced.

(b) *Share Placement in 2015*

On 16 September 2015, the Company entered into a placement agreement with SCCL, pursuant to which SCCL agreed, on a best efforts basis, to procure subscribers for up to 400,000,000 new Shares ("**2015 Placement Shares**") for an aggregate amount of up to approximately S\$56.0 million ("**2015 Placement**"). On 30 December 2015, 342,857,142 2015 Placement Shares were allotted and issued, and the net proceeds of approximately S\$46.6 million were intended to fund new environmental projects in the PRC, including environmental related engineering, procurement and construction, as well as build-operate-transfer, build-owned-operate and/or transfer-operate-transfer projects.

The Company had announced the use of net proceeds from the 2015 Placement in its announcements on 25 February 2016, 8 March 2016 and 15 June 2016. The net proceeds from the 2015 Placement were fully applied in accordance with the intended purposes as announced.

LETTER TO SHAREHOLDERS

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND THE INVESTOR

We have set out below the interests of the Directors, the Substantial Shareholders and the Investor (i) as at the Latest Practicable Date and (ii) assuming full conversion of the Convertible Bonds based on the initial Conversion Price of S\$0.50 and issuance of 313,368,000 Conversion Shares to the Investor.

	As at the Latest Practicable Date				Assuming full conversion of the Convertible Bonds			
	Number of Shares			% ⁽¹⁾	Number of Shares			% ⁽²⁾
	Direct Interest	Deemed Interest	Total Interest		Direct Interest	Deemed Interest	Total Interest	
Directors								
Guo Hong Xin ⁽³⁾	–	147,716,554	147,716,554	20.02	5,922,000 ⁽⁴⁾	147,716,554	153,638,554	13.84
Ma Ming ⁽⁵⁾	–	128,541,737	128,541,737	17.42	8,968,000 ⁽⁶⁾	128,541,737	137,509,737	12.39
Jiang Ning	–	–	–	–	–	–	–	–
Lau Ping Sum Pearce	–	–	–	–	–	–	–	–
Chin Sek Peng	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors)								
Allgreat Pacific Limited ⁽⁷⁾	76,287,983	71,428,571	147,716,554	20.02	76,287,983	71,428,571	147,716,554	13.30
Claremont Consultancy Limited ⁽⁸⁾	57,113,166	71,428,571	128,541,737	17.42	57,113,166	71,428,571	128,541,737	11.56
Sunpower Business Group Pte. Ltd.	71,428,571	–	71,428,571	9.68	71,428,571	–	71,428,571	6.43
Tournan Trading Pte. Ltd.	71,528,571	–	71,528,571	9.68	71,528,571	–	71,528,571	6.43
Lin Yucheng	100,000,000	–	100,000,000	13.56	100,000,000	–	100,000,000	9.01
Joyfield Group Limited	66,154,120	–	66,154,120	8.97	66,154,120	–	66,154,120	5.96
Pan Shuhong ⁽⁹⁾	19,393,198	66,154,120	85,547,318	11.60	19,393,198	66,154,120	85,547,318	7.71
Investor								
Investor	–	–	–	–	313,368,000	–	313,368,000	28.23

Notes:

(1) Calculated based on 737,657,142 Shares, being the Existing Share Capital.

(2) Calculated based on 1,110,245,142 Shares, being the Enlarged Share Capital.

LETTER TO SHAREHOLDERS

- (3) Mr Guo Hong Xin is (i) deemed to be interested in the 76,287,983 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.
- (4) Assuming that Mr Guo Hong Xin exercises all the options granted to him under the ESOS as at the Latest Practicable Date, 5,922,000 new Shares will be allotted and issued to him.
- (5) Mr Ma Ming is (i) deemed to be interested in the 57,113,166 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.
- (6) Assuming that Mr Ma Ming exercises all the options granted to him under the ESOS as at the Latest Practicable Date, 8,968,000 new Shares will be allotted and issued to him.
- (7) Sunpower Business Group Pte. Ltd., is 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.
- (8) Tournan Trading Pte. Ltd., is 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.
- (9) 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.

Pursuant to the Excess Return Sharing (if any), each of the Key Men may be eligible to participate in the Management Incentive Scheme as members of the management of the Company. Shareholders should note that all distributions to management employees under the Management Incentive Scheme will be determined and allocated by the Remuneration Committee of the Company based on the performance and contribution of the management employees. Each of the Key Men (in his capacity as a Director) will also abstain from voting in respect of any determination or allotment of the Management Incentive Scheme for management employees, if any. Please refer to paragraph 3.1 of this Circular for further particulars in this regard.

As at the Latest Practicable Date, none of the Directors or Substantial Shareholders has any interest, direct or indirect in the Proposed Convertible Bonds Issue (and any issue of Conversion Shares arising from any conversion of the Convertible Bonds), the Investor or any of its affiliates or associates, save for their respective shareholding in the Company.

13. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on pages 58 to 60 of this Circular, will be held at Level 6, Vanda 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 1 March 2017 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolutions relating to the Proposed Convertible Bonds Issue as set out in the Notice of SGM.

14. INTER-CONDITIONALITY OF RESOLUTIONS TO BE PASSED

In voting for the resolutions set out in the Notice of SGM, Shareholders should note that these resolutions are inter-conditional, and none of the Proposed Transactions will be proceeded with in the event any resolution is not passed.

15. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Depositor who is an individual is unable to attend the SGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed depositor proxy form ("**Depositor Proxy Form**") in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, not later than 48 hours before the time fixed for the SGM. Completion and return of the Depositor Proxy Form by a Depositor will not preclude him from attending and voting in person at the SGM in place of his proxy if he so wishes.

LETTER TO SHAREHOLDERS

A Depositor will not be entitled to attend the SGM as the CDP's proxy and to speak and vote thereat unless his name appears on the Depository Register as at 48 hours before the SGM.

A Depositor who is not an individual can only be represented at the SGM if its nominee/nominees is/are appointed as the CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of the CDP and to enable its nominee/nominees to attend and vote at the SGM, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, not later than 48 hours before the time fixed for the SGM.

16. DIRECTORS' RECOMMENDATIONS

The Board of Directors, having fully considered the terms and rationale of the Proposed Transactions, are of the opinion that the Proposed Transactions are in the interests of the Company and the Shareholders. Accordingly, they recommend that Shareholders vote in favour of the resolutions relating to the Proposed Transactions at the SGM.

17. RESPONSIBILITY STATEMENTS

17.1 The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

17.2 To the best of the knowledge of SCCL, as the Financial Adviser to the Company, this Circular contains full and true disclosure of all material facts about the Proposed Transactions and the Group, and SCCL is not aware of any facts the omission of which would make any statement in this Circular misleading.

18. CONSENT

SCCL, the Arranger and Financial Adviser, has given and has not withdrawn its consent to the issue of this Circular, with the inclusion in this Circular of its name and all references to its name in the form and context in which it appears in the Circular.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the SGM:

- (a) the Purchase Agreement (including the Terms and Conditions which are appended to the Purchase Agreement);
- (b) the Company's SGXNET announcement and press release dated 14 December 2016 in relation to the signing of the Purchase Agreement;

LETTER TO SHAREHOLDERS

- (c) the Company's SGXNET announcement dated 9 February 2017;
- (d) the Annual Report of the Group for FY2015; and
- (e) the Memorandum of Association and Bye-laws of the Company.

Yours faithfully
Sunpower Group Ltd.

For and on behalf of the Board of Directors
Guo Hong Xin
Executive Director, Chairman

APPENDIX 1 – DEFINITION OF ADJUSTED PATMI

All capitalised terms and expressions hereinafter appearing shall, unless otherwise defined herein, bear the same meanings as ascribed to them in the Purchase Agreement and the Terms and Conditions.

Adjusted PATMI shall mean the actual PATMI for such relevant financial year as set out in the audited financial statements of the Group for such financial year, and adjusted as set out below:

1. Where there is non-recurring income from the sale of assets and businesses of the Group, actual PATMI shall be:
 - Reduced by the non-recurring income from the sale of assets and businesses for such financial year; or
 - Increased by the non-recurring losses from the sale of assets and businesses for such financial year.
2. In respect of these Bonds and the Subsequent Issuance, actual PATMI shall be:
 - Reduced by the fair value gain on financial liabilities and embedded derivatives at fair value of the Bonds and the Subsequent Issuance as accounted for in the profit and loss statement of the Group for such financial year.
 - Increased by the fair value loss on financial liabilities and embedded derivatives at fair value of the Bonds and the Subsequent Issuance as accounted for in the profit and loss statement of the Group for such financial year.
 - Increased by the accrued interest of the Bonds and the Subsequent Issuance (if applicable) at “effective rate” in excess of the interest.
 - Increased by any foreign exchange loss or reduced by any foreign exchange gain arising from re-denomination of USD/foreign denominated currency Bonds into RMB as reflect in the financial statements of the Group for such financial year (for e.g. there will be a foreign exchange loss if RMB depreciates against USD after the Issue Date).
 - Increased by an amount of such transaction costs which are payable in connection with the issue of the Bonds which are reflected in the profit and loss statement of the Group for such financial year.
 - Reduced or increased by any other (i) accounting expenses, (ii) taxes, duties or assessments as referred to under Condition 9 of the Terms and Conditions, or (iii) administrative expenses and all other costs and expenses, arising from the issue of the Bonds, disregarding any amounts payable in respect of the cash coupon in Condition 5(D) of the Terms and Conditions.
3. Where there has been an amortisation of intangibles arising from merger and acquisition activities undertaken by the Group, actual PATMI shall be:
 - Increased by such amount of amortisation of goodwill and/or customer relationship (as and when it arises) arising from the purchase price allocation if required by the auditors. (Including any amortisation of non-cash items and non-performance related items).
 - Increased by an amount of fair value interest cost (including any amounts relating to non-performance related and non-cash items) which is a result of the deal structuring and any deferment of consideration payable to a later date.
4. Incentive payments

Actual PATMI shall be increased by any accounting expenses reflected in the profit and loss statement of the Group for such financial year which may arise as a result of any incentive payments payable to the Group pursuant to the purchase agreement entered into between the Issuer and Glory Sky Vision Limited on December 14, 2016.

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

All capitalised terms and expressions hereinafter appearing shall, unless otherwise defined herein, bear the same meanings as ascribed to them in the Purchase Agreement and the Terms and Conditions.

Part 1. Illustration in Relation to Shareholding Adjustments for 2018

(Note: This appendix is purely for illustration purpose only and does not prejudice the provisions of the Terms and Conditions of the Bonds)

[illegible]

Note:

(1) Adjustment, if any, will be based on adjusted PATMI, to be calculated using audited financial statements for the applicable year.

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

Part 2: Illustration in relation to Revised Adjustment Threshold for 2019 as set out in Condition 6(C)(10) of the Terms and Conditions

(Note: This appendix is purely for illustration purpose only and does not prejudice the provisions of the Terms and Conditions of the Bonds)

[illegible]

(1) Adjustment, if any, will be based on adjusted PATMI, to be calculated using audited financial statements for the applicable year.

(2) The above assumed FY2018 Adjusted PATMI of RMB320M;

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

Part 3. Illustration in relation to Shareholding Adjustments in 2019

(Note: This appendix is purely for illustration purpose only and does not prejudice the provisions of the Terms and Conditions of the Bonds)

[illegible]

Note:

(1) Adjustment, if any, will be based on adjusted PATMI, to be calculated using audited financial statements for the applicable year.

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

Part 4. Illustration in relation to a Maximum Shareholding Adjustment

(Note: This appendix is purely for illustration purpose only and does not prejudice the provisions of the Terms and Conditions of the Bonds)

FY2018 Performance Target	400	FY2019 Performance Target	440
FY2018 Adjustment Threshold	360	FY2019 Adjustment Threshold	396
FY2018 Floor	230	FY2019 Floor	230

Conversion

	USD	SGD
Investment	110,000,000	156,684,000
USD1: SGD		1.4244

FY2018 Adjusted PATMI (RMB'M)	Conversion Price Multiplier (FY2018) [FY2018 Adjusted PATMI/360]	Adjusted Conversion Price (assumed no earlier adjustments) (post FY2018)
230 and below	63.89%	0.31945

FY2019 Adjusted PATMI (RMB'M)	Conversion Price Multiplier (FY2019) [FY2019 Adjusted PATMI/396]	Final Adjusted Conversion Price (post FY2019)
230 and below	58.08%	0.18554

Entitled Conversion Shares	%	Existing No of Shares (assumed ESOS converted)	%	Fully-diluted Shares	%
844,479,493	51.45%	796,877,142	48.55%	1,641,356,635	100.00%

Note:

(1) Adjustment, if any, will be based on adjusted PATMI, to be calculated using audited financial statements for the applicable year.

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

Part 5. Illustration in relation to the Occurrence of Excess Performance Adjustment Sharing and Excess Return Sharing

(Note: This appendix is purely for illustration purpose only and does not prejudice the provisions of the Terms and Conditions of the Bonds)

Step 1. To Determine Excess Performance Adjustment Sharing

The following illustration should be read in conjunction with the section entitled “Principal Terms of the Proposed Convertible Bonds Agreement – Performance Targets – Excess Performance Adjustment Sharing” under Paragraph 3.1 of the Circular.

Illustrative Exchange Rate of US\$1:S\$1.4244

Excess Performance Adjustment Sharing (to be returned to the Company in cash) (S\$)	(A) - (B) (S\$)	(A) Illustrative Return (S\$)	Illustrative Number of Conversion Shares (in the event of Performance Adjustment)	Illustrative Exit Price (S\$)	(B) Higher of (i) Entitled Return or (ii) Minimum Return of 2.5x return multiple (and 20% IRR if Final Exit is after the Maturity Date) (S\$)	(i) Entitled Return (based on initial Conversion Price of S\$0.50) (S\$)	Entitled Shares (based on initial Conversion Price of S\$0.50)	Illustrative Exit Price (S\$)	(ii) Investor Proceeds (S\$)
28,290,000	28,290,000	420,000,000	400,000,000	1.05	391,710,000	329,036,400	313,368,000	1.05	391,710,000
8,290,000	8,290,000	400,000,000	400,000,000	1.00	391,710,000	313,368,000	313,368,000	1.00	391,710,000
–	(71,710,000)	320,000,000	400,000,000	0.80	391,710,000	250,694,400	313,368,000	0.80	391,710,000

APPENDIX 2 – SCHEDULE AND ILLUSTRATION OF PERFORMANCE SHORTFALL

Minimum Return before Excess Performance Adjustment Sharing will occur (2.5x return multiple if the Final Exit is on or before the Maturity Date)

(US\$)	28-Feb-17	28-Feb-18	28-Feb-19	28-Feb-20	28-Feb-21	28-Feb-22	Absolute Return	Investor Proceeds (\$\$)
Investment								
Cash Coupon	(110,000,000)	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	13,750,000	
Proceeds on Final Exit less transaction costs						261,250,000 ⁽¹⁾	261,250,000 ⁽¹⁾	
	(110,000,000)	2,750,000	2,750,000	2,750,000	2,750,000	264,000,000	275,000,000	391,710,000

IRR: 21%
Return Multiple (times): 2.50

Note:

- (1) US\$261,250,000 has been inserted as an illustrative figure, in order to illustrate how the absolute return of US\$275,000,000 (being 2.5x return multiple of investment of US\$110,000,000), taking into account the Investor Proceeds and the cash coupon received.

Assumptions made for purposes of the above illustration:

- (1) The Final Exit is at the end of Year 5.
- (2) The Bonds are issued on 28 February 2017.
- (3) The above Final Exit price, number of Conversion Shares and exchange rates are presented purely for illustrative purposes. The actual Conversion Shares which may be issued will be subject to the performance of the Company and applicable adjustment mechanisms as set out in the Terms and Conditions. There is no certainty that the targeted exit price will be achieved.

Step 2. To Determine Excess Return Sharing

The following illustration should be read in conjunction with the section entitled “Principal Terms of the Proposed Convertible Bonds Agreement –Excess Return Sharing” under Paragraph 3.1 of the Circular.

- (1) Based on the above, the Investor would have received US\$275 million (approximately S\$391.71 million) after the Excess Performance Adjustment Sharing at the end of Year 5.
- (2) The Investor would share between US\$0 and US\$10 million with the Company pursuant to the Excess Return Sharing if it achieves Investor Proceeds of between US\$220 million (being 2 times the principal amount of the Bonds) and US\$230 million (the amount in excess of 2 times the principal amount of the Bonds, and up to US\$10 million), assuming the Final Exit occurs on or before the Maturity Date.
- (3) After the Excess Performance Adjustment Sharing as set out under Step 1 above, as the Investor Proceeds exceed US\$230 million, the Investor would share US\$10 million with the Company pursuant to the Excess Return Sharing.

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

All capitalised terms and expressions hereinafter appearing shall, unless otherwise defined herein, bear the same meanings as ascribed to them in the Purchase Agreement and the Terms and Conditions.

The following is an extract of the Adjustments to Conversion Price set out in Condition 6(C) of the Terms and Conditions.

“The Conversion Price will be subject to adjustment in the following events:

- (1) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the number of the issued Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Shares in issue immediately before such alteration; and

B is the aggregate number of Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (2) *Capitalization of Profits or Reserves:*

- (i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, including Shares paid up out of distributable profits or reserves and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue; and

B is the aggregate number of Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (3) *Distributions:*

- (i) Subject to Condition 6(C)(3)(ii), if and whenever the Issuer shall pay or make any Distribution (other than a cash dividend) to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one (1) Share on the last Trading Day preceding the date on which the Distribution is publicly announced; and

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

B is the Fair Market Value on the date of such announcement of the Distribution divided by the aggregate number of Shares in issue on such date.

Such adjustment shall become effective on the date that such Distribution is actually made.

- (ii) If and whenever the Issuer shall declare and pay any cash dividend to its Shareholders in respect of the Shares, the Conversion Price shall not be adjusted provided that the Issuer shall have paid to the holder of each Bond all amounts required pursuant to Condition 5(D) in respect of any Excess Cash Dividend Amount.
- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case for a consideration of less than the Current Market Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such announcement;
- B is the aggregate number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at the Current Market Price; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (5) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by way of rights, or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one (1) Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one (1) Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

- (6) *Issues at less than the Conversion Price:* If and whenever the Issuer shall issue any Shares (other than Shares issued on the exercise of Conversion Rights) or issue or grant hybrid or other securities, convertible instruments, options, warrants or other rights to subscribe or purchase Shares, in each case at a consideration per Share which is less than the Conversion Price then in effect, the Conversion Price shall be adjusted to such consideration per Share.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than the Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer on conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the aggregate number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at the Current Market Price; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the aggregate number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at the Current Market Price or, if lower, the existing conversion, exchange or subscription price; and

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5) or Condition 6(C)(6)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one (1) Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the securities attributable to one (1) Share.

Such adjustment shall become effective on the date of issue of the securities.

- (10) *Performance Targets:* If the Issuer fails to meet the Adjustment Threshold in a financial year during the Adjustment Period, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately before such adjustment by the following fraction:

$$\frac{A}{B}$$

Where:

- A in respect of FY 2018 and FY 2019, shall be the higher of (a) the Adjusted PATMI for the relevant financial year and (b) RMB 230 million; and
- B is the Adjustment Threshold for the relevant financial year (subject to revision for FY 2019 as set out further below).

There shall be no adjustment to the Conversion Price in respect of FY 2017. There shall be no adjustment to the Conversion Price in respect of FY 2018 pursuant this Condition 6(C)(10) if the Adjusted PATMI for FY 2018 is less than the Adjustment Threshold for FY 2018 but not less than 80% of the Performance Target for FY 2018, provided that the Adjustment Threshold for FY 2019 shall be increased by the amount of the shortfall between the Adjusted PATMI for FY 2018 and the Adjustment Threshold for FY 2018. For reference, illustrations of certain potential adjustments contemplated under this Condition 6(C)(10) are set out in Appendices C to F.

- (11) This Condition has been deleted in accordance with the letter agreement dated 9 February 2017 entered into between the Issuer and the Original Bondholder.

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

- (12) *Calculation of Consideration Receivable:* For the purpose of any calculation of the consideration receivable pursuant to Conditions 6(C)(6), 6(C)(7) and 6(C)(8):
- (a) *Issue of Shares for Cash:* the aggregate consideration receivable for Shares issued for cash shall be the amount of such cash provided that in no case shall any deduction be made for any commission or any expenses paid or incurred by the Issuer for any underwriting of the issue or otherwise in connection therewith;
 - (b) *Issue of Shares on Conversion or Exercise of Securities:* (1) the aggregate consideration receivable for the Shares to be issued on the conversion or exchange of any securities shall be deemed to be the consideration received or receivable by the Issuer for any such securities and (2) the aggregate consideration receivable for the Shares to be issued on the exercise of rights of subscription attached to any securities shall be deemed to be such part (which may be the whole) of the consideration received or receivable by the Issuer for such securities as is attributed by the Issuer to such rights of subscription or, if no part of such consideration is so attributed, the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue of such securities as determined in good faith by an Independent Investment Bank, plus in the case of each of (1) and (2) above, the additional minimum consideration (if any) to be received by the Issuer on (and assuming) the conversion or exchange of such securities, or on the exercise of such rights of subscription (the consideration in all such cases to be determined subject to the proviso in Condition 6(C)(12)(a)) and (3) the consideration per Share receivable by the Issuer on the conversion or exchange of, or on the exercise of such rights of subscription attached to, such securities shall be the aggregate consideration referred to in (1) or (2) above (as the case may be) converted into US dollars if such consideration is expressed in a currency other than US dollars at such rate of exchange as may be determined in good faith by an Independent Investment Bank to be the spot rate in effect at the close of business on the date of announcement of the terms of issue of such securities, divided by the number of Shares to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate.
- (13) *Employee Share Option Scheme:* The Conversion Price shall not be subject to any adjustment as a result of any issue of Shares by the Issuer pursuant to the employee share option scheme adopted by the Issuer on April 29, 2015 (the “**ESOS**”) or any future employee share option scheme (such future share option scheme to be subject to the approval of the Majority Bondholders in Condition 6(F)(i)).
- (14) *Independent Investment Banks’ Certificate Conclusive:* If any doubt shall arise as to the appropriate adjustment to the Conversion Price a certificate or report of an Independent Investment Bank shall be conclusive and binding on the Issuer and each Bondholder save in the case of manifest error.
- (15) *Rounding and Minor Adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Singapore cent, shall be rounded down to the nearest Singapore cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one (1) per cent., of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to Bondholders in accordance with Condition 14 as soon as practicable after their determination.

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

- (16) *Post-Record Date Adjustments:* If the Conversion Date in relation to any Bond shall be after the record date for any such issue, distribution or grant as is mentioned in Conditions 6(C)(2) to 6(C)(5), and 6(C)(9), or any such issue as is mentioned in Conditions 6(C)(6) and 6(C)(7)) which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Condition 6(C), the Issuer shall (conditional on such adjustment becoming effective) subject to applicable laws and regulations (including without limitation the listing rules of the SGX-ST or, if applicable, an Alternative Stock Exchange) procure that there be issued to the converting Bondholder or in accordance with the instructions contained in the Conversion Notice such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment (more particularly referred to in the said Conditions above) to the Conversion Price had in fact been made and become effective immediately after the relevant record date, provided that the issue price of such additional Shares shall not be less than the par value of a Share. Such additional Shares will be allotted as at, and within one (1) month after, the relevant Conversion Date or, if the adjustment results from the issue of Shares, the date of issue of Shares. Certificates for such Shares will be despatched within such period of one (1) month.
- (17) *Increases in Conversion Price:* No adjustment resulting in an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1).
- (18) *Spin-Off:* In connection with an initial public offering of securities of a Subsidiary (the “**Spin-off**”) where the Issuer (a) pays or makes a Distribution to its Shareholders or (b) issues any securities to its Shareholders by way of rights or (c) makes arrangements whereby Shareholders are entitled to participate in such Spin-off by acquiring securities in the Spin-off (whether at a discount or otherwise), the Majority Bondholders may elect to:
- (i) adjust the Conversion Price in accordance with this Condition 6, in which case the Conversion Price for all the Bonds shall be so adjusted; or
 - (ii) receive in-kind any Distributions, securities or participate in any arrangements referred to in sub-paragraph (i) above, in which case the Issuer shall make the same Distribution, securities or arrangements available to all the Bondholders as if the Bonds have been converted into Shares at the Conversion Price then in effect.
- (19) *Performance Targets:* The Performance Targets set out in the definitions below are based on the assumption that any capital fundraising by the Issuer during the above financial years are limited to the Subsequent Issuance.

For the purposes of these Conditions:

“**Adjusted PATMI**” has the meaning set out in [Appendix B](#).

“**Adjustment Period**” means the period commencing on January 1, 2018 and ending on December 31, 2019.

“**Adjustment Threshold**” for any financial year, means 90% of the Performance Target then in effect for such financial year. The Performance Target and Adjustment Threshold for FY 2017, FY 2018 and FY 2019 are set out below:

	FY 2017	FY 2018	FY 2019
Performance Target (in RMB)	255,555,556	400,000,000	440,000,000
Adjustment Threshold (in RMB)	Not applicable	360,000,000	396,000,000

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

“Alternative Stock Exchange” means, at any time when the Shares are not listed and traded on the SGX-ST, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“Business Day” shall mean a day other than a Saturday, Sunday or public holiday on which commercial banks are generally open for the transaction of normal banking business in Singapore.

“Closing Price” for the Shares for any Trading Day shall be the closing market price quoted for such day by the SGX-ST or (if applicable) the Alternative Stock Exchange.

“Current Market Price” means, in respect of a Share at a particular date, the volume-weighted average price of one (1) Share (being a Share carrying full entitlement to dividend) quoted by the SGX-ST or an Alternative Stock Exchange for the twenty (20) consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said twenty (20) consecutive Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the said consecutive 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

“Distribution” means any dividend or distribution (whether of cash or assets in specie) by the Issuer (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i)) by way of capitalisation of reserves to the extent of the Relevant Cash Dividend), including without limitation any purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer).

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the volume-weighted mean of the daily Closing Prices of such options, warrants or other rights during the period of five (5) Trading Days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded and (iii) in connection with a Spin-off, the fair market value of options, warrants or other rights shall be calculated by reference to (1) the issue price of the securities in the Spin-off or (2) the volume weighted average of the Closing Prices of the securities quoted by the relevant stock exchange or securities market on which the securities are then listed or quoted or dealt in for the period of five (5) consecutive Trading Days commencing on the first day of trading of such securities, whichever is the greater.

APPENDIX 3 – ADJUSTMENTS TO CONVERSION PRICE

“**FY 2017**” means the financial year ended December 31, 2017.

“**FY 2018**” means the financial year ended December 31, 2018.

“**FY 2019**” means the financial year ended December 31, 2019.

“**Independent Investment Bank**” at any time means one of the top 10 financial institutions as may be selected by the Majority Bondholders and the Issuer jointly. The top 10 financial institutions shall be measured by the total transaction volume of worldwide merger and acquisition transactions advised by such institutions in the most recent three (3) full calendar years as reported by Thomson Financial or its successor or, if not available, any other financial information services provider agreed by the Majority Bondholders and the Issuer.

“**Interest**” means all amounts payable by the Issuer under Conditions 5(A) and 5(D)(i).

“**Material Adverse Effect**” means a material adverse effect on the business, operations, property, condition (financial or otherwise) or prospects of the Issuer and its Subsidiaries taken as a whole, or on the ability of the Issuer to perform its obligations under these Conditions or the purchase agreement entered into between the Issuer and the Original Bondholder on the date prior to the date of the purchase agreement entered into between the Issuer and Glory Sky Vision Limited.

“**Original Bondholder**” means Glory Sky Vision Limited.

“**Performance Target(s)**” means the Adjusted PATMI projection for each of the financial years as set out below:

	FY 2017	FY 2018	FY 2019
Adjusted PATMI (in RMB)	255,555,556	400,000,000	440,000,000

“**PRC**” means the People’s Republic of China.

“**Relevant Cash Dividend**” means any cash dividend specifically declared by the Issuer.

“**Relevant Period**” means the period beginning on the tenth (10th) Trading Day prior to the Trading Day (the “**relevant Trading Day**”) immediately preceding the date on which the Shares are quoted ex-dividend on the SGX-ST (or any relevant Alternative Stock Exchange) in respect of the cash dividend which caused an adjustment to the Conversion Price pursuant to Condition 6(C)(3), and ending on the relevant Trading Day.

“**RMB**” means Renminbi, the lawful currency of the PRC.

“**S\$**” means Singapore dollars, the lawful currency of the Republic of Singapore.

“**Subsequent Issuance**” means any Shares, securities convertible or exchangeable into Shares or other equity securities of any type or class up to an aggregate principal amount of US\$70 million issued by the Issuer to unrelated third parties during the Adjustment Period, as contemplated by management projections provided by the Issuer to the Original Bondholder in November 2016.

“**Trading Day**” means a day when the SGX-ST or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported in respect of the relevant Shares on the SGX-ST or, as the case may be the Alternative Stock Exchange, for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

“**US\$**” means U.S. dollars, the lawful currency of the United States of America.”

APPENDIX 4 – EVENTS OF DEFAULT

All capitalised terms and expressions hereinafter appearing shall, unless otherwise defined herein, bear the same meanings as ascribed to them in the Purchase Agreement and the Terms and Conditions.

The following is an extract of the Events of Default set out in Condition 10(A) of the Terms and Conditions.

“If any of the following events occurs:

- (i) a default is made by the Issuer in the payment of any amount (of principal, redemption payment, interest or otherwise) due in respect of the Bonds, provided that where such default is due solely to the delay caused by electronic or mechanical failure or administrative error and such sum is paid within five (5) Business Days of the due date, this paragraph (i) shall not apply;
- (ii) any failure by the Issuer to deliver Shares as and when the Shares are required to be delivered following conversion of Bonds;
- (iii) the Issuer does not perform or comply with one or more of its obligations in the Bonds in accordance with these Conditions which default is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) Business Days after written notice of such default shall have been given to the Issuer by any Bondholder;
- (iv) the Issuer or any of its subsidiaries is (or is, or could be, deemed by applicable laws or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any material part of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of its subsidiaries; an administrator or liquidator of the Issuer or any of its subsidiaries or the whole or any part of the assets and turnover of the Issuer or any of its subsidiaries is appointed (or application for any such appointment is made);
- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any original applicable grace period, or (c) the Issuer or any of its subsidiaries fails to pay when due (after the expiration of any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that:
 - (A) (with respect to indebtedness owing to suppliers of the Issuer and its subsidiaries in the ordinary course of business) the events mentioned above in this paragraph (v) would not individually or in the aggregate have a Material Adverse Effect, and
 - (B) (with respect to other indebtedness) the aggregate amount of the relevant indebtedness in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds US\$3,000,000 or its equivalent in any other currencies;
- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any of the property, assets or turnover of the Issuer or any of its subsidiaries which exceeds US\$3,000,000 or its equivalent in any other currencies unless (A) such legal process is discharged or stayed within thirty (30) Business Days, or (B) such legal process is being contested in good faith by appropriate proceedings and with due diligence, and such contest, if adversely determined, would not reasonably be expected to have a Material Adverse Effect;

APPENDIX 4 – EVENTS OF DEFAULT

- (vii) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any subsidiary over any assets having an aggregate value exceeding US\$3,000,000 or its equivalent in any other currencies becomes enforceable and any step is taken to enforce such encumbrance (including the taking of possession or the appointment of a receiver, manager or other similar person) unless (A) such encumbrance is discharged or rescinded within thirty (30) Business Days, or (B) such encumbrance is being contested in good faith by appropriate proceedings and with due diligence, and such contest, if adversely determined, would not reasonably be expected to have a Material Adverse Effect;
- (viii) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its subsidiaries (except for a members' voluntary solvent winding-up), or the Issuer or any of its subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations and except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by the Bondholders, or (b) in the case of any subsidiary, whereby the undertaking and assets of such subsidiary are transferred to or otherwise vested in the Issuer or its other subsidiaries;
- (ix) an administrative or other receiver, manager, administrator or other similar officer is appointed, of the whole or any part of the property, assets or turnover of the Issuer or any of its subsidiaries (as the case may be) where such property, assets and turnover in aggregate exceeds US\$3,000,000 or its equivalent in any other currencies unless (A) such appointment is discharged or stayed within thirty (30) Business Days, or (B) such appointment is being contested in good faith by appropriate proceedings and with due diligence, and such contest, if adversely determined, would not reasonably be expected to have a Material Adverse Effect;
- (x) (a) any step is taken by any Person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer and its subsidiaries; or (b) the Issuer or any of its subsidiaries is prevented from exercising normal control over all or any substantial part of its property, assets and turnover, unless (A) such step taken is stayed or withdrawn, or such prevention of exercise of control ceases or exercise of control is restored (as the case may be) within fifteen (15) Business Days, or (B) such step taken or prevention of exercise of control (as the case may be) is being contested in good faith by appropriate proceedings and with due diligence, and such contest, if adversely determined, would not reasonably be expected to have a Material Adverse Effect;
- (xi) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to exercise its rights and perform and comply with its obligations under the Bonds, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds admissible in evidence in the courts of Singapore or Bermuda is not taken, fulfilled or done;
- (xii) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds;
- (xiii) there is any material breach of the Issuer's representations, warranties, and covenants in the purchase agreement dated December 14, 2016 between the Issuer and the Original Bondholder;
- (xiv) the Shares ceasing to be listed on the SGX-ST or dealing in the Shares being suspended continuously for more than thirty (30) Trading Days; or
- (xv) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

APPENDIX 4 – EVENTS OF DEFAULT

then any Bond may, by notice given to the Issuer by the holder of such Bond, be declared immediately due and payable whereupon it shall become immediately due and payable at a price that may generate for the holder of such Bond a Total Internal Rate of Return of 20%, assuming that the holder acquired such Bond at its initial principal amount on the Issue Date and taking into account all interest, cash dividends and/or distributions paid by the Issuer and received by the holder (and would have been paid by the Issuer and received by the holder had the holder acquired such Bond at its initial principal amount on the Issue Date) in respect of such Bond.

The Issuer shall immediately, upon becoming aware of it, give notice of the actual or potential Event of Default to the Bondholders.

In these Conditions, “**Total Internal Rate of Return**” means, in respect of any Bond held by a holder, the annual rate based on a 365-day period used to discount each cash flow in respect of such Bond (such cash flow to include subscription or purchase consideration, cash dividends, interest and distributions received, and cash received from sale or redemption of Shares issued upon conversion of the Bond) to the original issuance date such that the present value of the aggregate cash flow equals zero. In connection with any payment required in these Conditions, the Total Internal Rate of Return will be calculated with reference to the period from the Issue Date to the date on which such payment is made in full.”

APPENDIX 5 – INVESTOR DIRECTOR

Information on the business and working experience of the Investor Director as at the Latest Practicable Date is set out below.

Mr Li Lei

Mr Li Lei is the Managing Director of CDH Investments Management (Hong Kong) Limited. Mr Li has been actively involved in a number of successful investments such as Midea Group, Dali Group, China Modern Dairy, Sunshine Insurance Group etc. Prior to joining CDH in 2007, Mr Li was with McKinsey & Consulting Company where he was extensively involved in a number of high-profile strategic consulting projects. Mr Li holds a B.S. / Master degree in Law with a double major in Economics from Peking University in China.

NOTICE OF SPECIAL GENERAL MEETING

SUNPOWER GROUP LTD.

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

NOTICE IS HEREBY GIVEN that a Special General Meeting ("**SGM**") of the members of the Company will be held at Level 6, Vanda 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 1 March 2017 at 10.30 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions ("**Resolutions**"):

All capitalised terms used in this Notice of SGM which are not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Circular of the Company dated 13 February 2017 to Shareholders.

Shareholders should note that all the Resolutions are inter-conditional upon each other. Accordingly, in the event that any of these Resolutions is not approved, the other Resolutions will not be duly passed.

AS ORDINARY RESOLUTIONS

RESOLUTION 1 – PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2022 OF AN AGGREGATE PRINCIPAL AMOUNT OF US\$110 MILLION CONVERTIBLE INTO FULLY PAID-UP NEW ORDINARY SHARES OF THE COMPANY TO GLORY SKY VISION LIMITED ("PROPOSED CONVERTIBLE BONDS ISSUE")

THAT, subject to Resolutions 2, 3 and 4 being passed:

- (a) approval be and is hereby given to the Directors or any of them to create and issue convertible bonds due 2022 of an aggregate principal amount of US\$110 million ("**Bonds**") to Glory Sky Vision Limited ("**Investor**") in accordance with the terms and conditions of the Bonds ("**Terms and Conditions**"), such Bonds to be convertible into new ordinary shares of the Company ("**Conversion Shares**") at a conversion price determined in accordance with the Terms and Conditions, and subject to such adjustments as the Terms and Conditions shall stipulate ("**Conversion Price**"); and
- (b) approval be and is hereby given to the Directors and any of them to complete and to do all such acts and things as they may consider necessary, desirable, expedient to give effect to this Resolution 1, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents (if required) in the interests of the Company, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and approved.

RESOLUTION 2 – PROPOSED ISSUE OF CONVERSION SHARES PURSUANT TO THE PROPOSED CONVERTIBLE BONDS ISSUE

THAT, subject to Resolutions 1, 3 and 4 being passed, and pursuant to Rule 811(3) of the Listing Manual:

- (a) approval be and is hereby given to the Directors or any of them to allot and issue:
 - (i) such number of Conversion Shares pursuant to the Proposed Convertible Bonds Issue, at the Conversion Price as may be required or permitted to be allotted or issued on the conversion of the Bonds, to the holders of the Bonds ("**Bondholders**") on the date of conversion thereof, subject to and otherwise in accordance with the Terms and Conditions, whereby such Conversion Shares when issued shall rank *pari passu* in all respects with the then existing shares of the Company save as may be provided in the Terms and Conditions;
 - (ii) on the same basis as paragraph (a)(i) above, such further Conversion Shares as may be required to be allotted and issued on the conversion of any of the Bonds upon the adjustment of the Conversion Price in accordance with the Terms and Conditions;

NOTICE OF SPECIAL GENERAL MEETING

- (iii) such number of Conversion Shares referred to in paragraphs (a)(i) and (a)(ii) above to the Bondholders; and
- (iv) such number of securities as may be required or permitted to be allotted and issued pursuant to the Pre-Emptive Right (as defined below) to Bondholders (including the Investor); and
- (b) approval be and is hereby given to the Directors and any of them to complete and to do all such acts and things as they may consider necessary, desirable, expedient to give effect to this Resolution 2, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents (if required) in the interests of the Company, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and approved.

Notes:

- (1) In the event that the Bonds are converted in full, based on the initial Conversion Price of S\$0.50¹ per Conversion Share, the number of Conversion Shares to be allotted and issued by the Company to Bondholders will be 313,368,000, representing approximately 28.23% of the Enlarged Share Capital, which is based on the assumption that the outstanding options under the ESOS as at the Latest Practicable Date are exercised in full.

Assuming that the Bonds are converted in full at a Conversion Price which has been adjusted in accordance with the Terms and Conditions, based on the minimum Conversion Price of approximately S\$0.1855, a maximum of up to 844,479,493 Conversion Shares may be allotted and issued to Bondholders, representing approximately 51.45% of the Shares on a fully-diluted basis of 1,641,356,635 Shares.²

- (2) In this resolution, “**Pre-Emptive Right**” means:
 - (i) in the case of issuance of any Shares, securities convertible or exchangeable into Shares, or other equity securities of any type or class (“**Additional Shares**”) from time to time, where the aggregate gross proceeds from such issuances do not exceed US\$70 million (“**Subsequent Issuance**”), the right of the Investor to be offered by the Company to acquire all or any portion of the Additional Shares on terms no less favourable than the terms offered to any proposed recipient; and
 - (ii) the right of each of the Bondholders to be offered by the Company to acquire, its *pro rata* share (assuming all the Bonds have been converted into Shares) of such Additional Shares on terms no less favourable than the terms offered to any proposed recipient.

RESOLUTION 3 – PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

THAT, subject to Resolutions 1, 2 and 4 being passed:

- (a) the authorised share capital of the Company be and is hereby increased from US\$8,000,000 divided into 800,000,000 shares of US\$0.01 each to US\$14,000,000 divided into 1,400,000,000 shares of US\$0.01 each ranking *pari passu* with the existing shares of the Company; and
- (b) approval be and is hereby given to the Directors and any of them to complete and to do all such acts and things as they may consider necessary, desirable, expedient to give effect to this Resolution 3, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents (if required) and to arrange for the requisite filings in connection with the increase, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and approved.

¹ The fixed exchange rate of US\$1:S\$1.4244 will be used for purposes of calculating the number of Conversion Shares to be allotted and issued.

² Please refer to **Appendix 3** to the Company's Circular dated 13 February 2017 for an illustration in relation to the Performance Adjustments.

NOTICE OF SPECIAL GENERAL MEETING

RESOLUTION 4 – PROPOSED POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO GLORY SKY VISION LIMITED (OR ITS TRANSFEREES) ARISING FROM THE PROPOSED CONVERTIBLE BONDS ISSUE

THAT, subject to Resolutions 1, 2 and 3 being passed:

- (a) approval be and is hereby given for the issue of Conversion Shares upon conversion of the Bonds that could potentially result in the transfer of controlling interest in the Company to the Investor (or its transferees) under Rule 803 of the Listing Manual arising from the Proposed Convertible Bonds Issue; and
- (b) approval be and is hereby given to the Directors and any of them to complete and to do all such acts and things as they may consider necessary, desirable, expedient to give effect to this Resolution 4, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents (if required) in the interests of the Company, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and approved.

By Order of the Board

Guo Hong Xin
Executive Chairman
13 February 2017

Notes:

- (1) With the exception of CDP (which may appoint more than two proxies), a member of the Company who is entitled to attend and vote at the SGM and who is the holder of two or more Shares is entitled to appoint no more than two proxies to attend the SGM and vote in his stead. A proxy need not be a member of the Company.
- (2) All Depository Proxy Forms must be lodged at the office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, **not less than 48 hours before the time appointed for holding the SGM in order for the proxy to be entitled to attend and vote at the SGM.**

The SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Special 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Special General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Special General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.