



SUNPOWER GROUP LTD.

SUNPOWER TO ACQUIRE THERMAL BUSINESS OF SANLI GROUP AND 25-YEAR EXCLUSIVE RIGHT TO SUPPLY STEAM TO SANLI

1. BACKGROUND OF THE TRANSACTION

The Board of Directors (the “**Board**”) of Sunpower Group Limited (“**Sunpower**” or the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary Hebei Changrun Environmental Technology Co., Ltd. (“**Changrun**” or “河北长润环保科技有限公司”) has signed a "Thermal Business Transfer Agreement" (the "**Agreement**") with Hebei Sanli Group Co., Ltd. (三利集团有限公司) and Hebei Sanli Wool Spinning Co., Ltd.(河北三利毛纺有限公司) (these together referred to as “**Sanli**”). Under the agreement, Sanli guarantees that it will use the steam produced by Changrun for the purposes of production and heating within its plant/s for a period of 25 years (“**Steam Supply Right Contract**”) and Changrun will take over Sanli’s four (4) sets of boilers (the “**Thermal Assets**”) to possess, use, profit from or dispose of as it sees fit (the “**Transaction**”).

2. INTRODUCTION TO SANLI

Founded in 1986, Hebei Sanli Group is located in Gaoyang County of Hebei Province and its legal representative is Lu Hu. Sanli is one of the largest towel and blanket enterprise with a renowned brand in China. Its main business activities include the manufacture of wool textiles, wool products, clothing and apparel; towel weaving; washing & dyeing; and printing & dyeing. To develop its business, Sanli is equipped with 4 sets of steam boilers which were installed more than 10 years ago as well as other supporting facilities, primarily to supply steam to its own operations.

3. OTHER SALIENT TERMS OF THE TRANSACTION

3.1 Consideration and Payment Terms

The transaction consideration (the “**Consideration**”) will be RMB100 million including tax based on a “willing buyer, willing seller” basis, payable to Sanli or its designated entity.

According to the valuation report issued by Nanjing Changcheng Land & Real Estate Assets Evaluation Consulting Co., Ltd. (“南京长城土地房地产资产评估造价咨询有限公司” or the “Independent Valuer”) which was engaged by the Company, the value of 25-year exclusive right to supply steam to Sanli is RMB105 million as at 31 August 2020, using the income approach.

Sunpower shall pay RMB20 million as deposit (the “**Deposit**”) within five (5) business days after the signing of the Agreement and the Steam Supply Right Contract. Sunpower shall pay the balance Consideration of RMB80 million after the boiler assets have been transferred to Changrun, and Sanli has completed one month of normal usage of the steam supplied by Changrun.

- 3.2** For a period of 25 years, Sanli shall not purchase steam from other third parties or produce its own steam, unless Changrun is unable to fulfil its required steam volume or quality, as specified in the Agreement.

During the period in which Changrun supplies steam to Sanli, Sanli will pay Changrun for the usage of steam as agreed.

- 3.5** Sanli guarantees that all of its existing textile and printing & dyeing related assets and production businesses in Gaoyang County will be retained at their original operating sites during the effective term of the Agreement. In addition, Sanli commits to maintain its existing production capacity utilisation to ensure its demand for steam, except for when it is unable to do so due to force majeure events.

Sanli further guarantees that it and its related parties shall not directly or indirectly, independently or cooperatively with a third party, develop any business related to the provision of thermal power in Gaoyang County during the effective term of the Agreement.

4. RATIONALE FOR THE TRANSACTION

- 4.1 Sanli's demand for steam has remained stable at a high level in the past years. Through the Transaction, Changrun will gain the exclusive right to supply steam to Sanli.**

As a large company with a renowned brand in China, Sanli's demand for industrial steam is high based on the researches and onsite investigation. Following the completion of the Transaction, Changrun will gain the exclusive right to supply steam to Sanli's production lines within Gaoyang County, which will further expand its captive customer coverage. This can be expected to further ramp up the capacity utilisation of Changrun's two boilers and improve project investment returns.

- 4.2 The Transaction will enable Changrun to become the only professional coal-fired centralised provider of industrial steam in Gaoyang County, Hebei Province**

Changrun currently has more than 70 captive customers and a steam supply pipeline network approximately 50 km in length. Following the Transaction, Changrun will become the only professional coal-fired centralised provider of industrial steam in Gaoyang County, further consolidating its exclusive market position.

- 4.3 The Transaction is in line with the Group's GI strategy and can be expected to bring in additional recurring revenue and income to the Group**

The Transaction is in line with the Group's medium-to-long term strategy to expand its GI business that generates long-term, recurring and high-quality income and cashflows.

Barring unforeseen circumstances, the addition of new steam demand from Sanli with the 25-year exclusive supply rights present an additional source of recurring revenue and income for Sunpower, and can be expected to have a positive impact on the Group's long-term performance.

5. FINANCIAL EFFECTS

The Group will provide an update on the progress of the Transaction in due course, as well as an update on the potential financial effects upon completion of the Transaction.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders of the Company have any interest, directly or indirectly, in the aforementioned Transaction, other than through their respective shareholdings in the Company (if any).

BY ORDER OF THE BOARD

Ma Ming
Executive Director
12 January 2021