中聖集團
SUNPOWER GROUP LTD.

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RESPONSES TO SUBSTANTIAL & RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS, SUBMITTED FOR THE ANNUAL GENERAL MEETING ON 28 APRIL 2021

Further to the Notice of Annual General Meeting dated 5 April 2021, the Board of Directors (the "**Board**") of Sunpower Group Ltd. ("**Sunpower**" or the "**Company**", and together with its subsidiaries, the "**Group**") wishes to provide the following information in response to substantial and relevant questions received from shareholders between 5 April 2021 and 23 April 2021 for the purpose of our annual general meeting ("**AGM**") that will be held on 28 April 2021.

<u>Substantial and Relevant Questions</u>

1. **Refer to page 59 of annual report:**

   Despite strong company performance in FY ending 31 Dec 2020, the group actually registered a loss of 28Mill RMB versus 2019 profit of 149mill RMB. This is mainly due to fair value changes of convertible bonds (RMB337mill).

   If I understood correctly, this was due to increase in share price which led to an increase in fair value loss. Is this just an accounting loss under FRS guideline to [sic] is it a real loss? If the share price continues to rise, we will see a bigger fair value loss on convertible bond to 2023 until the convertible bonds expire?

   Company's Response:

   It is an accounting loss. Since the first tranche of convertible bonds was issued, the company has reported two sets of its Income statement, namely "WITH financial effects of Convertible Bonds and Warrants" and "WITHOUT financial effects of Convertible Bonds and Warrants". The Income statement WITHOUT financial effects of Convertible Bonds and Warrants reflects the true operating performance of the Group, after adjusting for amortised interest expenses and fair value gains or losses as well as foreign exchange gains or losses, among others, associated with the Convertible Bonds and Warrants.

   Fair value change on convertible bonds is due to the change in fair value of the derivative liability, which is computed using the binomial option pricing model which relies on a number of inputs including share price, exercise price, expected volatility, risk-free rate and remaining tenure of the convertible bonds. Generally speaking, share price increase typically leads to a higher fair value of the derivative liability component of the convertible bonds thus causing a fair value loss on the convertible bonds that has to be recognised in the Income statement WITH financial effects of Convertible Bonds and Warrants at the end of each financial period, and vice versa. However, the share price is only one of the inputs considered.

   Shareholders are encouraged to view the Income statement WITHOUT financial effects of Convertible Bonds and Warrants for the true operating performance of the Company.

By order of the Board

Ma Ming
Executive Director

27 April 2021