



SUNPOWER GROUP LTD.
(Company Registration Number: 35230)
(Incorporated in Bermuda with limited liability)

**EXTENSION OF TENURE OF US\$130 MILLION CONVERTIBLE BONDS BY TWO YEARS, NO
CHANGE IN CONVERSION PRICE OF S\$0.50 FOR CB1 AND S\$0.60 FOR CB2, AND
AMENDMENTS TO CONVERTIBLE BOND TERMS**

1. INTRODUCTION

- 1.1 The Board of Directors (the "**Board**" or "**Directors**") of Sunpower Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**", and "**Group Member**" means any of them) wishes to announce that the Company has on 24 March 2023 entered into an amendment agreement (the "**2023 Amendment Agreement**") with Glory Sky Vision Limited ("**CDH**"), Alpha Keen Limited, Green Hawaii Air Limited and Blue Starry Energy Limited (together with Alpha Keen Limited and Green Hawaii Air Limited, "**DCP**", and together with CDH, the "**Bondholders**") to amend (i) the relevant terms of the convertible bond purchase agreement dated 22 May 2018 (as amended and supplemented by a supplemental agreement dated 16 August 2018, a further supplemental agreement dated 28 January 2019 and an amendment agreement dated 31 December 2020 (the "**2020 Amendment Agreement**"), and as may be further supplemented from time to time, the "**Convertible Bond Purchase Agreement**") entered into with the Bondholders, pursuant to which the Company issued, and the Bondholders purchased, convertible bonds of an aggregate principal amount of US\$130 million, consisting of a first tranche of US\$110 million ("**CB1**") and a second tranche of US\$20 million ("**CB2**") (the "**Convertible Bonds**"); and (ii) the terms and conditions of the Convertible Bonds (the "**CB Terms and Conditions**").
- 1.2 Under the prevailing terms of the Convertible Bonds (the "**Prevailing Terms**"), the maturity date of the Convertible Bonds, pursuant to the Bondholders' election, is the 15th business day after the date on which the Company's audited financial statements for 2022 are issued, which is currently envisaged to be on or around 17 April 2023 (the "**Current Maturity Date**"). Pursuant to the 2023 Amendment Agreement, the Company and the Bondholders have, *inter alia*, mutually agreed to extend the maturity date of the Convertible Bonds to the later of (i) 3 April 2025; or (ii) if so elected by the Bondholders, the date that is the 15th business day after the date on which the Company's audited financial statements for 2024 are issued (the "**New Maturity Date**"), as well as to make certain other amendments to the terms of the Convertible Bond Purchase Agreement and the CB Terms and Conditions (collectively, the "**Proposed Amendments**"). The Proposed Amendments are introduced to take into account, *inter alia*, the two-year postponement in the Bondholders' right of redemption upon maturity, the various significant events and the financial performance of the Company. Please refer to Paragraph 4 of this Announcement for the salient terms of the Proposed Amendments.
- 1.3 Details of the Proposed Amendments will be included in a circular to be despatched to the shareholders of the Company ("**Shareholders**") for approval of the Proposed Amendments in due course.

2. BACKGROUND TO THE 2023 AMENDMENT AGREEMENT

2.1 Under the Prevailing Terms, the Bondholders have the discretion to either:

- (i) require the Company to redeem the Convertible Bonds in full on the Current Maturity Date at a redemption price that would generate a total internal rate of return ("IRR") of 8.0% to the Bondholders ("**Immediate Redemption**"). Taking into account the interests of approximately US\$17.2 million and the special dividend of approximately US\$62.5 million distributed on completion of the disposal of the manufacturing and services business segment of the Group in 2021 (the "**M&S Dividends**"), the remaining redemption amount of approximately US\$111.6 million shall be immediately due and payable by the Company to the Bondholders upon full redemption on the Current Maturity Date; or
- (ii) convert, in full or in part, its Convertible Bonds into shares at any time during the conversion period as provided for in the Prevailing Terms (the "**Conversion Right**"), at a pre-agreed conversion price, being S\$0.50 for CB1 and S\$0.60 for CB2, subject to adjustments.

In particular, the Company is subject to a performance target of RMB325 million in adjusted profit after taxation and minority interests ("**PATMI**") for the financial year ended 31 December 2022 ("**FY2022**") in respect of its green investment ("**GI**") business (the "**Performance Target**"), and a failure to meet such target will result in downward adjustments to the conversion price, otherwise known as performance shortfall adjustments. Due to the factors set out in Paragraph 2.2 of this Announcement, the Group's FY2022 financial performance was negatively impacted. The Group's FY2022 unaudited adjusted PATMI was approximately RMB171.5 million¹.

Accordingly, if the Bondholders elect to exercise their Conversion Right, a conversion price of S\$0.264 (as opposed to the original S\$0.50) would apply to CB1 and a conversion price of S\$0.317 (as opposed to the original S\$0.60) would apply to CB2, resulting in an additional 320,502,904 shares in the Company ("**Shares**") being issued to the Bondholders upon conversion. This will result in an immediate additional dilution of approximately 15.0% for the Shareholders. On a fully diluted basis, the Bondholders would hold approximately 46.0% interest in the Company after such performance shortfall adjustments, as compared to 31.0% interest in the Company before such performance shortfall adjustments.

2.2 Various Significant Events and Tough Macro-Economic Conditions throughout FY2022 Resulted in Decline in Performance and Failure to Meet the Performance Target

FY2022 was one of the most challenging years ever faced by the Company since the inception of its GI business. The Company was continuously confronted by tough macro-economic conditions, caused by various significant events, that gave rise to challenges to the Group's business and operations, including the following:

¹ This is based on unaudited figures prepared by the Company's management in accordance with the adjusted PATMI schedule under the Prevailing Terms (the "**Schedule**") but without taking into account the clause that refers to Subject Event in the 2020 Amendment Agreement. Therefore, the Group's FY2022 adjusted PATMI figure of approximately RMB171.5 million is only indicative and has yet to be independently verified. The Group's FY2022 adjusted PATMI may range between RMB162 million and RMB172 million, as certain add-back items in accordance with the Schedule have not been mutually agreed upon between the Company and the Bondholders. Accordingly, depending on the final adjusted PATMI figure, the immediate additional dilution to Shareholders will range between 16.4% and 14.9%. The Group's actual FY2022 adjusted PATMI will have to be mutually agreed upon between the Company and the Bondholders, before the relevant adjustments are applied.

- (i) **Cumulative impact of the COVID-19 pandemic on the Group's business:** The impact of the COVID-19 pandemic on the Group's business in the People's Republic of China ("**PRC**"), which started in 2020 and reached its peak in 2022, with the unexpected resurgence across the country from the beginning of 2022 and subsequently culminating in the lifting of pandemic control and prevention measures at the end of the year. The resultant lockdown restrictions during such period affected the normal production and operation of the existing GI projects and the normal operation and production expansion of customers, prolonged the construction cycle of the Group's new projects, and slowed the relocation and construction of factories by industrial customers. As a result, the ramp-up process of the Group's existing projects was delayed and some projects that were under construction were put into production later than expected, causing the total steam sales of the Group to be negatively impacted in the last three (3) years. In addition, the COVID-19 pandemic also led to a lag in the price adjustment of several specific projects, due to the delay in the local governments' clearance of price adjustments above the issued price guidance for several projects as their attention was focused on COVID-19 pandemic prevention and control.
- (ii) **Repercussions of the high and volatile price of feedstock primarily due to geopolitical conflict in FY2022:** The geopolitical conflict between Russia and Ukraine which broke out in February 2022 sparked off a global energy crisis and caused energy costs to soar globally. This included the price of coal, which caused a corresponding surge in the Group's production costs. Although there is a price adjustment mechanism in place and various measures have been adopted to mitigate the effect of rising feedstock prices, there was a delay in the price adjustment of several specific projects as mentioned above. As a result, the profitability of the GI business in FY2022 was adversely impacted.
- In addition to the main industrial steam business, several projects in northern PRC also involve the supply of residential heating. As the heating business is part of the Company's social initiatives that addresses livelihood issues of the local population, it is difficult to adjust the heating prices based on the rise of feedstock prices. Hence, the Group's profit was reduced. However, heating steam sales volume forms only a fragment of the total steam sales volume of the Group.
- (iii) **Occurrence of other relevant events that impacted GI business:** The power curtailment due to extremely high temperatures during the summer of FY2022 also adversely affected the operations of the GI projects. Further, sanctions imposed on Xinjiang cotton also impacted certain customers of the Group's GI business.

Despite the impact of these challenges, the Group's total steam sales volume between FY2019 and FY2022 still rose by a compounded annual growth rate ("**CAGR**") of approximately 20.4% due to the resilient demand from industrial users and the continued ramp-up of operational projects as well as the launch production of new capacity, while the recurring revenue of GI business increased by a CAGR of 35.6% over the same period. Profitability also gradually improved in FY2022. Unaudited GI recurring EBITDA increased from approximately RMB450.3 million in FY2021 to approximately RMB598.0 million in FY2022. Finally, the Group has also implemented mitigation measures and differentiation strategies and continuously upgraded projects to reduce production costs and improve operational efficiency and profitability.

However, due to the various significant events and conditions mentioned in this paragraph, the Company's financial performance for FY2022 was negatively impacted. The Group's FY2022 unaudited adjusted PATMI was approximately RMB171.5 million, which is below the Performance Target, despite its proven business model and the efforts made by the management.

3. RATIONALE FOR THE ENTRY INTO THE 2023 AMENDMENT AGREEMENT AND DIRECTORS' VIEWS

Accordingly, the Board of Directors of the Company and the Company are of the view that an extension of the Current Maturity Date to the New Maturity Date, coupled with the other Proposed Amendments, is necessary for the following reasons:

3.1 **2023 Amendment Agreement Prevents (a) Immediate Redemption and Default and (b) Immediate Additional Dilution of approximately 15.0%; Funds are Insufficient to Satisfy Immediate Full Redemption although GI Projects Generate Resilient Operating Cash Flow**

The Group's GI business has been in operation for approximately five (5) years since the Changrun project commenced operations in the second half of 2017, with projects still in the ramp-up stage. Due to the influence of the aforementioned significant events in Paragraph 2.2 of this Announcement, the ramp-up and commercial production of the Company's projects were affected.

Given such events and conditions mentioned above, despite the projects having the capacity to generate recurring operating cash flows, the Company does not have sufficient funds in place for the full redemption of the Convertible Bonds on the Current Maturity Date whilst ensuring sufficient working capital to support the Company's operations amidst difficult headwinds, and at the same time, still continuously repaying the loans taken on to fund project construction and past acquisitions. An Immediate Redemption on the Current Maturity Date may affect the going concern status of the Company.

As disclosed in the Company's announcement dated 26 February 2023 on the unaudited financial statements of the Group for FY2022 (the "**FY2022 Unaudited Results**"), as at 31 December 2022, the Group has cash and cash equivalents of approximately RMB585,268,000 (with and without the financial effects of the Convertible Bonds), which falls short of the balance amount payable by the Company for full redemption of the Convertible Bonds on the Current Maturity Date.

Further, the existing credit facilities of the Group were obtained for project-specific and operational funding and do not provide sufficient headroom for further drawdown. Even if the additional financing can be obtained for such redemption, it would impose considerable constraints on the Group. Alternatively, if such additional financing cannot be obtained in time, the Company would be in immediate default of its redemption obligations, triggering a right for the Bondholders to redeem the entire outstanding amount of the Convertible Bonds at a price that may generate for the Bondholders a total IRR of 20.0%.

In addition, if the Bondholders elect to exercise their Conversion Right on or before the Current Maturity Date, there will be an immediate additional dilution of approximately 15.0% for the Shareholders. Please refer to Paragraph 2.1(ii) of this Announcement for further details.

On the other hand, the Company's entry into the 2023 Amendment Agreement will prevent (i) Immediate Redemption and default and (ii) immediate additional dilution of approximately 15.0% to Shareholders (if the Bondholders elect to exercise their Conversion Right on or before the Current Maturity Date), as well as provide an extension to the Current Maturity Date of the Convertible Bonds, giving the Company approximately two (2) additional years to repay the outstanding Convertible Bonds.

3.2 **The Prevailing Conversion Price of S\$0.50 for CB1 and S\$0.60 for CB2 Will No Longer be Subject to Adjustment based on Performance Target and There Will Be No Corresponding Additional Dilution of Approximately 15.0%**

As part of the Proposed Amendments, the provisions relating to the Performance Target, conversion price adjustments and all other related terms under the Convertible Bond Purchase Agreement will be removed. As a result, the conversion prices of S\$0.50 for CB1 and S\$0.60 for CB2 will no longer be subject to adjustments based on the Company's Performance Target. Accordingly, under the Proposed Amendments, if the Bondholders elect to exercise their Conversion Right on or before the New Maturity Date², the number of Shares to be issued to the Bondholders will be 358,188,000 shares, representing approximately 31.0% interest in the Company on a fully-diluted basis (calculated based on the fully-diluted number of 1,155,065,142 Shares)³.

3.3 **Strong Business Fundamentals of the Group's GI Projects and Two-Year Runway Gives the Company Opportunities to Explore Alternatives and Maximise the Value of GI Assets**

Despite the challenges faced, demand for the Group's clean industrial steam remained strong and it has achieved year-on-year growth in financial performance over the past years which is bolstered by its reliable business model that facilitates high-quality, long-term, recurring income and cash flows.

The Group's 11 GI projects are strategically located across 11 industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence. The Group's GI projects are exclusive suppliers within their coverage areas based on typically 30-year concessions and extensive networks of pipelines that enhance their *de facto* exclusivity. Its centralised steam facilities are part of the key utility generation infrastructure in industrial parks where steam is a non-discretionary input for the industrial users in a diversified range of industries that provide basic essential products to the vast domestic market of China. Further, the Group has a typically business-to-business model and it also has the capability to require prepayment or payment within a certain period after use from its customers.

As of early 2023, the overall pandemic situation in the PRC has been described as being at a "low level"⁴ and the COVID-19 virus has been classified as a normal, seasonal flu by certain countries⁵. As a result, following the resumption of work and production after the Chinese New Year in late January 2023, the negative impact of the pandemic on the economy has gradually subsided and the PRC's economy is showing signs of recovery⁶. Following the 20th National Congress, the Chinese government is strongly determined to drive the country's economic recovery with consumption as the main focus⁷.

² For the avoidance of doubt, it should be noted that upon the removal of an adjustment in connection with the Performance Target, other customary adjustments to the conversion price pursuant to Condition 6(C) of the CB Terms and Conditions, details of which have been disclosed in Appendix 6 of the Company's circular to shareholders dated 21 August 2018 continue to apply. The figures presented in this paragraph assume that none of these other customary adjustments has taken place.

³ Based on (a) the total number of issued Shares of 795,686,142, (b) the aggregate number of 358,188,000 Shares held by the Bondholders on an as-converted basis assuming that all Convertible Bonds held by the Bondholders have been converted into Shares as at the date of the 2023 Amendment Agreement, and (c) assuming all the share options granted as part of the Company's employee share option scheme have been fully exercised.

⁴ <https://www.channelnewsasia.com/asia/china-says-covid-19-situation-low-level-after-chinese-new-year-holiday-3241321>

⁵ <https://www.moh.gov.sg/news-highlights/details/singapore-to-exit-acute-phase-of-pandemic>

⁶ https://data.eastmoney.com/report/zw_macresearch.jshtml?encodeUrl=N4nbWaRYxZfSry3LhciaSNkbOiDYLI7s7YYAMkb0+JE=

⁷ <https://www.globaltimes.cn/page/202301/1284379.shtml>

Barring unforeseen circumstances, the Board believes that the Company's proven business model and disciplined management, after having undergone various significant events mentioned in Paragraph 2.2 of this Announcement, are expected to set a solid foundation for future growth with greater capital liquidity, and especially in view of the taper-off of the COVID-19 pandemic and the improved economic outlook in the PRC, which the Company believes to be favourable to its business operations. Further, barring unforeseen circumstances, the continued ramp-up of the Group's 10 existing projects in operation and the capacity expansion of certain existing plants, namely Yongxing project's solid waste plant, the launch of Shantou project phase 2, Jining project phase 2, and Shanxi Xinjiang project, are expected to sustain the Group's growth in FY2023 and beyond.

Moreover, the Company's GI business strategy is aligned with the PRC's "14th Five Year Plan", covering 2021 to 2025, that promotes the development of the circular economy and centralised steam facilities. The Company believes that its sizeable GI portfolio, which is able to generate high-quality recurring income and cash flows over the long term based on its proven business model, are valuable and of high potential.

During the extension period, the Company will have time to strategise and explore alternative options to raise the required funds for redemption on the New Maturity Date in a manner which may be more beneficial to the Company's longer-term financial health, including but not limited to seeking new investors, additional equity or debt fundraising, a strategic review of the Group's existing operations and financials, and monetisation of certain GI projects.

3.4 **Alternatives to Redemption on Current Maturity Date have been Evaluated and Considered Unfavourable**

The Company has reviewed and considered the other available alternatives to redemption on the Current Maturity Date, which the Company considers to be impractical for the following reasons:

- (a) Legal Proceedings: Under the Prevailing Terms, upon the occurrence of certain "Subject Events", including the Company's business being materially, seriously and adversely affected by any pandemic in a way that is not less severe than the effect of COVID-19 in 2020, the Company may engage in good faith discussions with the Bondholders for an alteration of certain key provisions of the Prevailing Terms relating to performance adjustments to conversion price and redemption upon the absence of year-on-year PATMI growth.

Whilst the Company may choose to pursue legal proceedings with the Bondholders on the basis that certain factors set out in Paragraph 2.2 of this Announcement may be considered "Subject Events" within the meaning of the Prevailing Terms, there will be substantial uncertainty in the outcome and significant time and costs may be incurred before a conclusion can be reached. More importantly, the Bondholders' entitlement to redemption on the Current Maturity Date is not subject to any "Subject Events" proviso, and therefore there is no requirement for the Bondholders to engage in good faith discussions with the Company in the event of redemption.

Accordingly, having considered the above factors and consulted with its legal advisers, the Company does not consider legal proceedings to be a viable alternative⁸.

- (b) Conversion: Under the Prevailing Terms, the Bondholders are entitled to exercise their right of conversion in respect of the Convertible Bonds at a pre-agreed conversion

⁸ In relation to the applicability of the "Subject Event" provisos under the Prevailing Terms, both the Company and the Bondholders reserve each of their respective positions.

price, being S\$0.50 for CB1 and S\$0.60 for CB2, subject to adjustments. As a result of the Performance Target, should the Bondholders choose to exercise their Conversion Right, the conversion price adjustments would result in an additional 320,502,904 Shares being issued to the Bondholders upon conversion. This would represent an additional dilution of approximately 15.0% to the Shareholders, as compared to conversion of the Convertible Bonds at their respective original conversion price. On a fully diluted basis, the Bondholders would hold approximately 46.0% interest in the Company after such performance shortfall adjustments, as compared to 31.0% interest in the Company before such performance shortfall adjustments. Please refer to Paragraph 2.1(ii) of this Announcement for further details on the conversion price adjustments.

Such an alternative outcome, if it occurs, may be detrimental to Shareholder value, especially considering the Company's failure to meet the prescribed performance target for FY2022 due to the various events as set out in Paragraph 2.2 of this Announcement.

3.5 Benefits of Extension are Subject to Certain Costs

Although the tenure of the Convertible Bonds would be extended by approximately a further two (2) years, the Company is cognisant that under the Proposed Amendments, the Bondholders would subsequently be entitled to a higher IRR at 10%, instead of the existing rate at 8%, on the New Maturity Date as detailed in Paragraph 4.3 of this Announcement. With an additional 2% over the entire investment period, the subsequent redemption balance due and payable to the Bondholders on or before the New Maturity Date is approximately US\$158.1 million, which represents an increase of approximately US\$46.5 million of the amounts due and payable under the Prevailing Terms.

However, this IRR of 10% on redemption on the New Maturity Date will only apply if:

- (a) there is no Asset Sale (as defined below) and there is no full payment to the Bondholders at a redemption price equal to the higher of (i) a Multiple of Money (as defined below) of 1.8 or (ii) the Bondholders' pro rata portion of the Net Proceeds (as defined below), in accordance with Paragraph 4.2 of this Announcement;
- (b) if the Bondholders do not exercise their Conversion Right on or prior to the New Maturity Date; and
- (c) there is no occurrence of a Relevant Event (as defined below).

3.6 Taking into account the foregoing in its entirety, the Board of Directors of the Company (save for Mr. Li Lei and Ms. Wang Guannan, as further explained under Paragraph 5.1 of this Announcement) are of the view that an extension of the Current Maturity Date is necessary and in the interests of the Company and its Shareholders and that in this connection, the Proposed Amendments are required to be put forth to the Shareholders for consideration, as further explained under Paragraph 4.5 of this Announcement.

4. SALIENT TERMS OF THE 2023 AMENDMENT AGREEMENT

Apart from the extension of the Current Maturity Date to the New Maturity Date, the salient terms of the Proposed Amendments are summarised as follows. Shareholders are advised to read this paragraph in conjunction with Appendix A, which sets out further details in relation to other Proposed Amendments.

4.1. **The Prevailing Conversion Price of S\$0.50 for CB1 and S\$0.60 for CB2 Will No Longer be Subject to Adjustment based on Performance Target**

If the Bondholders elect to exercise their Conversion Right on or before the New Maturity Date², the Conversion Price will remain as S\$0.50 for CB1 and S\$0.60 for CB2, and the number of Shares to be issued to the Bondholders will be 358,188,000, representing approximately 31.0% interest in the Company on a fully-diluted basis (calculated based on the fully-diluted number of 1,155,065,142 Shares)³. All provisions relating adjustments to the conversion price of the Convertible Bonds based on the Performance Target have been removed.

4.2. **Asset Sale**

(a) **Special Transaction**

In the event of a Special Transaction (as defined below), all outstanding Convertible Bonds shall be redeemed by the Company at a redemption price equal to the higher of (i) an amount that would result in the relevant Bondholder achieving a Multiple of Money of 1.8 or (ii) the Bondholders' pro rata portion of the Net Proceeds received by the Group in connection with such sale and any prior Partial Sales (as defined below) (together, the "**Applicable Redemption Prices**").

(b) **Partial Sale**

In the event of a Partial Sale (as defined below), the Company will have the right, at its sole discretion, by delivering a written notice, to offer each Bondholder the right to redeem all of that Bondholder's Convertible Bonds at a redemption price equal to the higher of the Applicable Redemption Prices.

(c) **Series of Partial Sales**

In the event of a Series of Partial Sales (as defined below), to the extent any Bondholder(s) have not exercised their right to redeem pursuant to any prior Partial Sales, all outstanding Convertible Bonds held by such Bondholder(s) shall be redeemed by the Company at a redemption price equal to the higher of the Applicable Redemption Prices.

(d) **Balance due on the New Maturity Date**

In the event that the Applicable Redemption Price is not paid in full prior to the New Maturity Date, the Company shall first, on the New Maturity Date, pay to the Bondholders an amount such that the total amounts received by the Bondholders shall equal the higher of (i) the YTM Redemption Price (as defined below), and (ii) such portion of the Applicable Redemption Prices with respect to which all relevant remittance procedures have been completed, with the remaining unpaid amounts being settled at a later date, without any penalty or interest provided it is duly paid within the agreed time period.

(e) **Definitions**

An "**Asset Sale**" means a Special Transaction, a Partial Sale or a Series of Partial Sales.

A "**Special Transaction**" means a sale of assets or businesses of the Group which represent 95% or more of each of the consolidated total assets and net assets of the Group as reflected in the audited financial statements of the Group for either of the

most recent 2 full financial years, provided that immediately upon completion of a Special Transaction, the Group shall own no more than one (1) project.

A "**Partial Sale**" means a sale or series of related sales of any asset or business of the Group with an aggregate value of US\$3,000,000 or above, other than any Special Transaction and any sales of asset or business in the ordinary course of business consistent with past practice, which is on an arm's length basis and is to person(s) other than a Related Party (as defined in the Convertible Bond Purchase Agreement).

A "**Series of Partial Sales**" means a series of Partial Sales which result in sales of assets or businesses of the Group which represent in aggregate 95% or more of each of the consolidated total assets and net assets of the Group as reflected in the audited financial statements of the Group for either of the most recent two (2) full financial years, and immediately upon completion of the last Partial Sale (which shall have occurred prior to the New Maturity Date), the Group owns no more than one (1) project.

"**Multiple of Money**" means the amount of money received by a Bondholder from its investment in a Convertible Bond (such calculation to include all cash interest, cash dividends already received as of the date of the 2023 Amendment Agreement, as well as any future cash interest, distributions, dividends and receipts received after the date of the 2023 Amendment Agreement and up to the date of payment) divided by the principal amount of such Bond.

Taking into account the interests of approximately US\$17.2 million and the M&S Dividends of approximately US\$62.5 million already paid to the Bondholders, a balance amount of approximately US\$154.3 million will be due and payable to the Bondholders if the Multiple of Money criterion applies.

"**Net Proceeds**" means the amount equal to the actual proceeds received by the Group in connection with the consummation of a Special Transaction or a Partial Sale (as the case may be), including without limitation any delayed payments payable to the Group post-completion, and after taking into account the applicable taxes and transaction costs and expenses relating to such Special Transaction or Partial Sale (as the case may be).

(f) **Bondholders will be paid in Priority to Shareholders under Asset Sale**

Upon redemption in connection with an Asset Sale, the Bondholders will be paid in priority to Shareholders.

4.3. **Redemption YTM of 10% on New Maturity Date**

(a) The "**Redemption YTM**" (being the Total Internal Rate of Return (as defined below) that the Bondholders shall achieve upon redemption on maturity, subject to the Proposed Amendment set out in the paragraph immediately below) will be revised to 10%, an increase of 2% from the current Redemption YTM of 8% over the investment period.

(b) Under the Proposed Amendments, on the New Maturity Date, the Bondholders shall be entitled to redeem the Convertible Bonds at a redemption price equal to the higher of (i) a price that would generate for the holder of such Bond the Redemption YTM (such sum, the "**YTM Redemption Price**") or (ii) the Bondholders' pro rata portion of the Net Proceeds receivable by the Group in connection with all Partial Sales signed or consummated prior to the date of redemption (the "**Pro Rata Redemption Price**").

- (c) In the event that the Pro Rata Redemption Price is not paid in full prior to the New Maturity Date, the Company shall first, on the New Maturity Date, pay to the Bondholders an amount equal to the higher of (i) the YTM Redemption Price, and (ii) such portion of the Pro Rata Redemption Price with respect to which all relevant remittance procedures have been completed, with the remaining unpaid amounts being settled at a later date, without any penalty or interest provided it is duly paid within the agreed time period.
- (d) To-date, the Company has paid a total of US\$17.2 million interest and US\$62.5 million in M&S Dividends. The balance due and payable to the Bondholders under the Redemption YTM of 10% will be US\$158.1 million, assuming that there is no early redemption or conversion of the Convertible Bonds on or prior to the New Maturity Date.
- (e) "**Total Internal Rate of Return**" means, in respect of any Convertible Bond held by a holder, the annual rate based on a 365-day period used to discount each cash flow in respect of such Convertible Bond (such cash flow to include subscription or purchase consideration, cash dividends, interest and distributions received (including dividends relating to any sale of the manufacturing and services business segment and business assets of the Company), as well as any future cash interest, distributions, dividends and receipts received after the date of the 2023 Amendment Agreement and up to the date of payment) to the original issuance date such that the present value of the aggregate cash flow equals zero. For the avoidance of doubt, any expense incurred by such Bondholder shall not be taken into account in such calculation of Total Internal Rate of Return. In connection with any payment required in the CB Terms and Conditions (save for the interest on any Overdue Amount (as defined below)), the Total Internal Rate of Return will be calculated with reference to the period from the date of issue of the Convertible Bonds to the date on which such payment is made in full. In connection with the interest on any Overdue Amount, the Total Internal Rate of Return will be calculated with reference to the period from the applicable due date of such Overdue Amount to the date on which such payment is made in full.

4.4. **Overdue Amount**

In the event there is a default by the Company in the payment of any amount due in respect of any payment in accordance with Paragraph 4.2(d) or 4.3(c) of this Announcement (the "**Overdue Amount**"), such Overdue Amount shall accrue interest in an amount that would generate for each Bondholder a Total Internal Rate of Return of 20% on the relevant Overdue Amount for the period from the applicable due date to the date on which such payment is made in full.

For clarity, the difference between Paragraphs 4.2(d) and 4.3(c) of this Announcement is that in Paragraph 4.2(d), the Bondholders are being redeemed pursuant to an Asset Sale, whereas in Paragraph 4.3(c), the Bondholders are being redeemed on maturity pursuant to their entitlement under the CB Terms and Conditions.

For the avoidance of doubt, Condition 7(F) of the CB Terms and Conditions relating to default interest in the event of a delay by the Company in payment of any sum due and payable under the CB Terms and Conditions shall not apply to this paragraph.

4.5. **Relevant Events**

Upon the occurrence of a Relevant Event (as defined below), the Bondholders will have the right, at their option, to redeem all or some only of their Convertible Bonds at a redemption price equal to the higher of (i) the YTM Redemption Price (upon the New Maturity Date), (ii) an

amount that would result in the relevant Bondholder achieving a Multiple of Money of 1.8 (prior to the New Maturity Date), and (iii) in the case of a Change of Control (as defined in the Convertible Bond Purchase Agreement) only, such Bondholder's pro rata portion of the equity valuation of the Group in connection with such Change of Control.

In the event of a Relevant Event which is also a Special Transaction or a Partial Sale, it is agreed that the applicable provisions relating to a Special Transaction or Partial Sale shall govern.

A "**Relevant Event**", as defined in the Convertible Bond Purchase Agreement, occurs:

- (a) when the Shares cease to be listed or admitted to trading on the SGX-ST or any alternative stock exchange (as relevant); or
- (b) when there is a Change of Control; or
- (c) when there is a Merger (as defined in the Convertible Bond Purchase Agreement).

4.6. **Shareholders' Approval and Interim Arrangements**

- (a) Under the terms of the Convertible Bond Purchase Agreement, any material alteration to the CB Terms and Conditions that is to the advantage of the Bondholders shall be subject to approval by the Shareholders. Accordingly, a Circular to the Shareholders containing further details of the Proposed Amendments, together with a notice of the special general meeting ("**SGM**") to be convened for the approval of the Proposed Amendments will be despatched to the Shareholders in due course.
- (b) In the event that the SGM can only be held after the Current Maturity Date, the Bondholders and the Company have agreed that during the period from the date of the 2023 Amendment Agreement to the earlier of (i) the date of the SGM or (ii) 31 July 2023, the Bondholders agree that non-redemption of the Convertible Bonds does not constitute an event of default under the Convertible Bond Purchase Agreement, and each of the Bondholders has undertaken not to exercise any right of redemption (on maturity or by reason of adjusted PATMI decline) or conversion for such period thereof, unless an event of default occurs.

5. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

- 5.1. Mr. Li Lei and Ms. Wang Guannan, being Non-Executive and Non-Independent Directors appointed by the Bondholders pursuant to the terms of the Convertible Bond Purchase Agreement, are deemed to have an interest in the Proposed Amendments. As such, each of Mr. Li Lei and Ms. Wang Guannan have recused (and will continue to recuse) themselves from the Board's decision-making in relation to the Proposed Amendments and will abstain from participating in any recommendation to be made by the Board with respect to the Proposed Amendments.
- 5.2. Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company, if any), in the Proposed Amendments.
- 5.3. Stirling Coleman Capital Limited is the financial adviser to the Company in relation to the Proposed Amendments.

6. DOCUMENTS FOR INSPECTION

Copies of the 2023 Amendment Agreement, the Convertible Bond Purchase Agreement and the CB Terms and Conditions will be available for inspection during normal business hours at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, for a period of three (3) months commencing from the date of this Announcement.

7. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares as there is no certainty or assurance that the Proposed Amendments will be approved by the Shareholders or that no changes will be made to the terms thereof. Shareholders and potential investors are also advised to read this Announcement and any further announcements by the Company carefully, and where in doubt as to the action that they should take, they should consult their financial, tax or other professional adviser immediately.

By Order of the Board

Sunpower Group Ltd.

Ma Ming
Executive Director and Chief Executive Officer
27 March 2023

APPENDIX A

Summary of Key Proposed Amendments

All capitalised terms used and not defined in this Announcement shall have the same meanings given to them in the 2023 Amendment Agreement, a copy of which is available for inspection during normal business hours at the registered office of the Company's Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, for a period of three (3) months commencing from the date of this Announcement.

No.	Clause	Description
1.	<p>Removal of the Performance Target and related provisions.</p> <p>Conversion Price will remain at S\$0.50 for CB1 and S\$0.60 for CB2</p>	<p>The Performance Target and other related provisions under the Prevailing Terms, such as performance shortfall adjustments and excess performance adjustment sharing of Bondholder proceeds, will be removed. Further, the Bondholders' right of early redemption under the Prevailing Terms in the event that the adjusted PATMI for the green investments business for a given year is less than the immediately preceding year will be removed.</p> <p>Accordingly, if the Bondholders elect to exercise their Conversion Right on or before the New Maturity Date², the Conversion Price will remain as S\$0.50 for CB1 and S\$0.60 for CB2, and the number of Shares to be issued to the Bondholders will be 358,188,000, representing approximately 31.0% interest in the Company on a fully-diluted basis (calculated based on the fully-diluted number of 1,155,065,142 Shares)³.</p>
2.	<p>Asset Sale</p> <p>Anti-Embarrassment Clause #1 (Subsequent Sale)</p> <p>Anti-Embarrassment Clause #2 (Potential Transaction)</p> <p>Shareholders' Catch-Up Clause</p>	<p>(a) Special Transaction</p> <p>A "Special Transaction" means a sale of assets or businesses of the Group which represent 95% or more of each of the consolidated total assets and net assets of the Group as reflected in the audited financial statements of the Group for either of the most recent two (2) full financial years, provided that immediately upon completion of a Special Transaction, the Group shall own no more than one (1) project.</p> <p>In the event of a Special Transaction, all outstanding Convertible Bonds shall be redeemed by the Company at a redemption price equal to the higher of (i) an amount that would result in the relevant Bondholder achieving a Multiple of Money of 1.8 or (ii) the Bondholders' pro rata portion of the Net Proceeds received by the Group in connection with such sale and any prior Partial Sales (as defined below), otherwise known as the "Applicable Redemption Prices".</p> <p>Bondholders will be paid in priority to Shareholders under a Special Transaction.</p> <p>"Multiple of Money" means the amount of money received by a Bondholder from its investment in a Convertible Bond (such calculation to include all cash interest, cash dividends already received as of the date of the 2023 Amendment Agreement, as well</p>

as any future cash interest, distributions, dividends and receipts received after the date of the 2023 Amendment Agreement and up to the date of payment) divided by the principal amount of such Bond.

"Net Proceeds" means the amount equal to the actual proceeds received by the Group in connection with the consummation of a Special Transaction or a Partial Sale (as the case may be), including without limitation any delayed payments payable to the Group post-completion, and after taking into account the applicable taxes and transaction costs and expenses relating to such Special Transaction or Partial Sale (as the case may be).

(b) Partial Sale

A **"Partial Sale"** means a sale or series of related sales of any asset or business of the Group with an aggregate value of US\$3,000,000 or above, other than any Special Transaction and any sales of asset or business in the ordinary course of business consistent with past practice, which is on an arm's length basis and is to person(s) other than a Related Party (as defined in the Convertible Bond Purchase Agreement).

In the event of a Partial Sale, the Company will have the right, at its sole discretion, by delivering a written notice, to offer each Bondholder the right to redeem all of that Bondholder's Convertible Bonds at a redemption price equal to the higher of the Applicable Redemption Prices.

(c) Series of Partial Sales

Where a series of Partial Sales result in sales of assets or businesses of the Group which represent in aggregate 95% or more of each of the consolidated total assets and net assets of the Group as reflected in the audited financial statements of the Group for either of the most recent 2 full financial years, and immediately upon completion of the last Partial Sale (which shall have occurred prior to the New Maturity Date), the Group owns no more than one (1) project, to the extent any Bondholder(s) have not exercised their right to redeem pursuant to any prior Partial Sales, all outstanding Convertible Bonds held by such Bondholder(s) shall be redeemed by the Company at a redemption price equal to the higher of the Applicable Redemption Prices.

Bondholders will be paid in priority to Shareholders under a Partial Sale or a Series of Partial Sales.

(d) Payment after Maturity Date

In the event that the Applicable Redemption Price is not paid in full prior to the New Maturity Date, the Company shall first, on the New Maturity Date, pay to the Bondholders an amount such that the total amounts received by the Bondholders shall equal the higher of (i) the YTM Redemption Price (as defined below), and (ii) such portion

of the Applicable Redemption Prices with respect to which all relevant remittance procedures have been completed, with the remaining unpaid amounts being settled at a later date, without any penalty or interest provided it is duly paid within the agreed time period.

(e) Anti-Embarrassment Clauses

The rationale for the anti-embarrassment clauses is that Bondholders should be entitled to a pro rata share of the sale of GI assets. This clause is intended to protect the Bondholders, within a fixed time period after the Convertible Bonds have been redeemed, against wilful deprivation of their entitlement to a pro rata share of such sales of GI assets. The anti-embarrassment clauses apply after the Bondholders have been redeemed.

Subsequent Sale

If:

- (i) a Partial Sale is consummated prior to the New Maturity Date (such Partial Sale, the "**Initial Partial Sale**"), and the Group consummates, enters into any agreement to consummate, or otherwise makes any announcement with respect to the signing of, any Special Transaction or Partial Sale with the same purchaser(s) of such Initial Partial Sale or any of its Affiliates (collectively, the "**Purchaser**") **within twelve (12) months after** the date of consummation of the Initial Partial Sale (such transaction, a "**Subsequent Sale**"), and
- (ii) any Bondholder's pro rata portion of the total Net Proceeds received by the Group in connection with all prior Partial Sales and such Subsequent Sale is greater than the total amount of redemption price it has received prior to the date of consummation of the Subsequent Sale (such difference, the "**Subsequent Sale Additional Amount**"),

the Company shall pay to such Bondholder the Subsequent Sale Additional Amount in accordance with the Shareholders' Catch-Up clause (as set out below).

Potential Transaction

If:

- (i) any of the Convertible Bonds is redeemed pursuant to their terms and conditions (the "**Redeemed Bonds**"), and any member of the Group has, on or before the date of redemption of such Redeemed Bonds, any agreement or mutual assent (in each case whether or not in writing) with any person regarding the material terms of any proposed Special Transaction, Partial Sale or any other transaction whereby any person will acquire any direct or indirect ownership or interest of any asset or business of any Group Member (each, a "**Potential**

		<p>Transaction"), and at any time prior to the date which is six (6) months after the New Maturity Date, the Group consummates, enters into any definitive agreements to consummate, or otherwise makes any announcement with respect to the signing of, such Potential Transaction, and</p> <p>(ii) any Bondholder's pro rata portion of the total Net Proceeds received by the Group in connection with all prior Partial Sales and such Potential Transaction is greater than the total amount of redemption price it has received prior to the date of consummation of the Potential Transaction (such difference, the "Potential Transaction Additional Amount"),</p> <p>the Company shall pay to such Bondholder the Potential Transaction Additional Amount in accordance with the Shareholders' Catch-Up clause (as set out below).</p> <p>(f) Shareholders' Catch-Up Clause</p> <p>Any Subsequent Sale Additional Amount or Potential Transaction Additional Amount shall be paid to the Bondholder promptly upon receipt and completion of all remittance procedures and in any event no later than (x) in the case where proceeds of the Subsequent Sale or Potential Transaction are received outside of the PRC, the 30th day after the date of receipt of such proceeds, or (y) in the case where proceeds of the Subsequent Sale or Potential Transaction are received in the PRC, in accordance with such payment schedule as mutually agreed in writing by the Company and each Bondholder (each acting in good faith), and in accordance with the following calculation:</p> <p>Shareholders' Catch Up</p> <p>(i) Shareholders (which, for the avoidance of doubt, shall exclude the Bondholders) shall be entitled to receive an amount which equals the following:</p> <p>$((A / B) \times C) - D$</p> <p>where:</p> <p>A = the total amount of redemption price received by all Bondholders prior to the date of consummation of the relevant Subsequent Sale or Potential Transaction (as the case may be)</p> <p>B = aggregate pro rata portion of all Bondholders (expressed as a percentage)</p> <p>C = 100% - B</p> <p>D = the total amount of dividend or other distribution received by all Shareholders (which, for the avoidance of doubt, shall exclude the Bondholders) with respect to all prior Partial Sales</p>
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		<p>prior to the date of consummation of the relevant Subsequent Sale or Potential Transaction; and</p> <p>Pro Rata Distribution</p> <p>(ii) If, after deducting the amount calculated in accordance with the preceding paragraph, there remains Net Proceeds available for distribution, all such remaining Net Proceeds shall be paid to all Bondholders in accordance with their respective pro rata portion, with the remainder to be paid to all Shareholders.</p> <p>Total Receipts</p> <p>(iii) For the avoidance of doubt, the total distributions receivable by each Bondholder shall not exceed the higher of (i) the Applicable Redemption Prices, and (ii) the Bondholders' pro rata portion of the Net Proceeds received by the Group in connection with all prior Special Transactions and Partial Sales and the relevant Subsequent Sale or Potential Transaction (as the case may be).</p>
3.	Redemption YTM of 10% on the New Maturity Date	<p>The "Redemption YTM" (being the Total Internal Rate of Return (as defined below) that the Bondholders shall achieve upon redemption on maturity) will be revised to 10%, an increase of 2% from the current Redemption YTM of 8% over the investment period.</p> <p>Under the Proposed Amendments, on the New Maturity Date, the Bondholders shall be entitled to redeem the Convertible Bonds at a redemption price equal to the higher of (i) a price that would generate for the holder of such Bond the Redemption YTM (such sum, the "YTM Redemption Price") or (ii) the Bondholders' pro rata portion of the Net Proceeds received by the Group in connection with all Partial Sales signed or consummated prior to the date of redemption (the "Pro Rata Redemption Price"). In the event that the Pro Rata Redemption Price is not paid in full prior to the New Maturity Date, the Company shall first, on the New Maturity Date, pay to the Bondholders an amount equal to the higher of (i) the YTM Redemption Price, and (ii) such portion of the Pro Rata Redemption Price with respect to which all relevant remittance procedures have been completed, with the remaining unpaid amounts being settled at a later date, without any penalty or interest provided it is duly paid within the agreed time period.</p> <p>To-date, the Company has paid a total of US\$17.2 million interest and US\$62.5 million in M&S Dividends. The balance due and payable to the Bondholders under the Redemption YTM of 10% will be US\$158.1 million, assuming that there is no early redemption or conversion of the Convertible Bonds on or prior to the New Maturity Date.</p> <p>"Total Internal Rate of Return" means, in respect of any Convertible Bond held by a holder, the annual rate based on a 365-day period used to discount each cash flow in respect of such Convertible Bond (such cash flow to include subscription or purchase consideration, cash dividends, interest and distributions</p>

		<p>received (including dividends relating to any sale of the manufacturing and services business segment and business assets of the Company), as well as any future cash interest, distributions, dividends and receipts received after the date of the 2023 Amendment Agreement and up to the date of payment) to the original issuance date such that the present value of the aggregate cash flow equals zero. For the avoidance of doubt, any expense incurred by such Bondholder shall not be taken into account in such calculation of Total Internal Rate of Return. In connection with any payment required in the CB Terms and Conditions (save for the interest on any Overdue Amount (as defined below)), the Total Internal Rate of Return will be calculated with reference to the period from the date of issue of the Convertible Bonds to the date on which such payment is made in full. In connection with the interest on any Overdue Amount, the Total Internal Rate of Return will be calculated with reference to the period from the applicable due date of such Overdue Amount to the date on which such payment is made in full.</p>
4.	Overdue Amount	<p>In the event that the Applicable Redemption Price or Pro Rata Redemption Price is not paid in full prior to the New Maturity Date, the Company shall first pay the higher of (i) the YTM Redemption Price; and (ii) such portion of the Applicable Redemption Price or Pro Rata Redemption Price (as the case may be) with respect to which all relevant remittance procedures have been completed, on the New Maturity Date and shall then duly pay the remaining unpaid amounts within an agreed time period, without any penalty or interest provided it is duly paid within the agreed time period. In the event that there is a default by the Company to make any payment in accordance with the foregoing (an "Overdue Amount"), such Overdue Amount shall accrue interest in an amount that would generate for each Bondholder a total IRR of 20% on the relevant Overdue Amount for the period from the applicable due date to the date on which such payment is made in full.</p>
5.	Relevant Events	<p>Upon the occurrence of a Relevant Event (as defined below), the Bondholders will have the right, at their option, to redeem all or some only of their Convertible Bonds at a redemption price equal to the higher of:</p> <ul style="list-style-type: none"> (i) the YTM Redemption Price (upon the New Maturity Date); (ii) an amount that would result in the relevant Bondholder achieving a Multiple of Money of 1.8 (prior to the New Maturity Date); and (iii) in the case of a Change of Control (as defined in the Convertible Bond Purchase Agreement) only, such Bondholder's pro rata portion of the equity valuation of the Group in connection with such Change of Control. <p>In the event of a Relevant Event which is also a Special Transaction or a Partial Sale, it is agreed that the applicable provisions relating to a Special Transaction or Partial Sale shall govern.</p>

		<p>A "Relevant Event", as defined in the Convertible Bond Purchase Agreement, occurs:</p> <p>(i) when the Shares cease to be listed or admitted to trading on the SGX-ST or any alternative stock exchange (as relevant); or</p> <p>(ii) when there is a Change of Control; or</p> <p>(iii) when there is a Merger (as defined in the Convertible Bond Purchase Agreement).</p>
6.	Expenses	<p>The Company shall, promptly upon request of a Bondholder, pay such Bondholder reasonable legal fees ("Legal Fees") and accountant, administrative and operational fees ("Accountant Fees") incurred by such Bondholder from time to time in connection with (i) the preparation and negotiation of the 2023 Amendment Agreement and the 2020 Amendment Agreement, the performance under the 2023 Amendment and the 2020 Amendment Agreement; and (ii) the Convertible Bonds as amended by the 2023 Amendment Agreement.</p> <p>In all events, the total Legal Fees and Accountant Fees borne by the Company pursuant to this section shall not exceed US\$1,200,000 in aggregate.</p>
7.	Interim Arrangements	<p>During the period from the date of the 2023 Amendment Agreement to the earlier of (a) the date of the special general meeting of the Company to be held in respect of the 2023 Amendment Agreement and the amendments contemplated therein (the "SGM"), and (b) 31 July 2023 (the "Longstop Date") (the "Standstill Period"), the Bondholders agree that the non-redemption of the Convertible Bonds on or prior to the Current Maturity Date does not constitute an event of default and further agree that they shall not, during the Standstill Period, exercise any of the following rights under the Convertible Bond Purchase Agreement (such agreement, the "Standstill"): </p> <p>(i) Conversion Rights pursuant to Condition 6(A) (<i>Conversion Right</i>);</p> <p>(ii) redemption right pursuant to Condition 8(A) (<i>Maturity</i>); and</p> <p>(iii) redemption right pursuant to Condition 8(C) (<i>Redemption at the Option of the Bondholders</i>),</p> <p>provided that upon the occurrence of any event of default, the Standstill shall be immediately terminated.</p> <p>Further, the Bondholders have agreed to grant a partial waiver in accordance with the following terms: if, within 10 Business Days after the Standstill Expiration Date, the Company has redeemed all of the Bonds held by each Bondholder at a redemption price equal to an amount that may generate for such Bondholder a total IRR of 10%, the obligations of the Company under Condition 10(A) of the</p>

		CB Terms and Conditions shall be deemed to have been satisfied (the " Partial Waiver "). " Standstill Expiration Date " means (i) in the event the 2023 Amendment Agreement and the Proposed Amendments are not approved at the SGM, the date of the SGM or (ii) in the event no SGM has been held as at the Longstop Date, the Longstop Date.
8.	Consent to Future Sales	The Bondholders shall not unreasonably withhold their consent or subject their consent to conditions in respect of a Special Transaction or Partial Sale where the Company shall use the proceeds from such transaction to redeem the outstanding Convertible Bonds.
9.	Extended Conversion Notice Period before Maturity	The Bondholders shall be entitled to give notice to the Company up to the close of business on the date that is ninety (90) calendar days (as compared to the current five (5) business days under the Prevailing Terms) before the New Maturity Date if they intend to exercise their conversion right under the Convertible Bond Purchase Agreement.