

Issuer: Sunpower Group Ltd.

Security: Sunpower Group Ltd.

Meeting details:

Date: 26 April 2017

Time: 14:30H

Venue: Level 5, Vanda Ballroom, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594

Company Description

Sunpower Group Ltd., an investment holding company, operates as an environmental protection services provider primarily in the People's Republic of China. The company operates through Environmental Equipment Manufacturing; Engineering, Procurement and Construction Integrated Solutions; and Green Investments segments. It offers heat exchangers and pressure vessels for completing the reaction, heat transfer, separation, and storage during the process of industrial production in chemical, petrochemical, metallurgy, and pharmaceutical industries; heat pipes and heat pipe exchangers for heat-transfer in petrochemical, steel, and chemical industries, as well as to protect the permafrost foundation in the construction of roads, railways, and oil pipelines; pipeline energy saving products used in the connection liquefied natural gas pipes, liquefied petroleum gas pipes, ethylene storage, steam pipes, and pressure pipes; and related environmental protection products. The company also provides flare-gas recovery system, sulfur recovery system, and zero liquid discharge system primarily used for the treatment of industrial waste water, waste gas, and residue in the petrochemical, chemical, and coal chemical industries. In addition, it engages in the photovoltaic power generation and clean energy related petrochemical engineering activities; and engineering, procurement, and construction of build-operate-transfer/transfer-operate-transfer/build-own-operate projects. Further, the company installs and commissions projects; provides technical and consultation services; produces and sells foam glass products; supplies steam/heat gas to enterprises; and researches new energy-saving materials. Sunpower Group Ltd. also exports its products to Europe, Australia, Southeast Asia, South Asia, Central Asia, North America, South America, and the Middle East. The company was founded in 1997 and is based in Nanjing, the People's Republic of China.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5GD)

Q1. The group has entered into Build-Operate-Transfer (“BOT”) arrangements in respect of construction and operation of centralised steam and electricity project in Gaoyang County of Hebei Province, centralised steam projects in Lianshui County of Jiangsu Province and Quanjiao County of Anhui Province. Details of the three BOT projects are shown in the table below.

15 INTANGIBLE ASSETS (cont’d)

Service concession arrangements comprise the following:

Name of subsidiary as operator	Name of project	Location in PRC	Name of grantor	Type of service concession agreement	Service concession period
Quanjiao Sunpower Clean Energy Co., Ltd. – 100% owned subsidiary	Quanjiao	Anhui Quanjiao Economic Development Zone, Chuzhou City	全椒经济开发区管理委员会	BOT	30 years from 2017
Hebei Changrun Environmental Ltd. – 100% owned subsidiary	Changrun	Hebei Gaoyang Economic Development Zone	河北高阳经济开发区管理委员会	BOT	30 years from 2017
Lianshui Sunpower Clean Energy Co., Ltd. – 95% owned subsidiary	Lianshui	Lianshui Economic Development zone	江苏涟水经济开发区管理委员会	BOT	Not more than 30 years from 2017

(Source: Sunpower Group Ltd. Annual Report 2016)

These three projects are expected to be completed in the first half of 2017.

The group has recognised RMB634 million as concession service arrangement (page 81 -Intangible assets). The recognition of the revenue, cost and intangible assets arising from the BOT projects mentioned above has been highlighted by the independent external auditors as a key audit matter.

- a) **Can management provide a more detailed breakdown of the RMB634 million that is recognised as concession service arrangement for the projects individually? How much revenue from each project is expected to be recognized in FY2017?**
- b) **Following the latest issue of the US\$110 million convertible bonds, would the group have sufficient resources to fund the development of the cogeneration facilities in Chaonan District of Shantou City, Guangdong Province and the centralised heat transfer oil project in Changyi City, Shandong Province?**

Q2. Revenue and segment results from the engineering, procurement and construction (EPC) integrated solutions segment have grown steadily over the years mainly due to the group’s investment into with BOT/TOT/BOO projects.

	RMB	FY2013	FY2014	FY2015	FY2016
EEM	Revenue	1,154,150	1,005,549	991,724	1,030,002
	Segment result	92,703	91,418	100,749	138,425
EPC	Revenue	148,427	229,613	443,614	596,166
	Segment result	11,447	16,779	34,130	94,824

(Source: Sunpower Group Ltd. Annual Reports)

Revenue from the EEM segment appears to be rather steady and the group has also enjoyed improved profitability in the EEM segment.

- a) **What have been the key drivers to the group's improved profitability?**
- b) **What are the key projects and major opportunities available in the EEM segment in 2017?**
- c) **The group also generates about RMB 178 million from outside of the PRC (page 97 – Segment information). Are these all contributed by the EEM segment? Would it be a viable strategy for the group to increase its exports?**

Q3. All three independent directors (Mr. Jiang Ning, Mr. Lau Ping Sum Pearce and Mr. Chin Sek Peng) were first appointed as Directors of the Company on 2 February 2005, more than 15 years ago (page 19 – Corporate Governance Report).

Notwithstanding that the board has determined that Mr. Jiang Ning, Mr. Lau Ping Sum Pearce and Mr. Chin Sek Peng be considered independent, Guideline 2.4 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board help shareholders understand the plans for the progressive refreshing of the board, as required by Guideline 2.4 of the Code?**
- b) **What is the search and nomination process for new board directors, especially independent directors?**