

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) and management of Sunpower Group Ltd. (the “Company” and together with its subsidiaries the “Group”) are committed to upholding a high standard of corporate governance in order to safeguard the interests of all stakeholders and to promote investors’ confidence. The Board has put in place various self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore.

This report describes the Company’s corporate governance processes and activities with specific references to the Code.

1. BOARD MATTERS

Board’s Conduct of Affairs

Principle 1: Effective Board to lead and control the Company

- (i) Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board is responsible for approving annual budgets, financial plans, financial statements, business strategies and material transactions such as major acquisitions, divestments, funding and investment proposals. The Group has put in place financial authorisation and approval limits for operating expenditure and procurement of goods and services. It delegates the formulation of business policies and day-to-day management to the Executive Directors and its management team.

The principal functions of the Board are:

- (a) Provide entrepreneurial leadership, review and approve the Group’s key business strategies and financial objectives, including major investments/divestments and financing of projects;
 - (b) Oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with regulatory authorities and the Group’s internal control policies and procedures to safeguard the shareholders’ interests and the Company’s assets;
 - (c) Review management performance;
 - (d) Identify key stakeholder groups and recognise that their perceptions could affect the Company’s reputation;
 - (e) Set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
 - (f) Consider sustainability issues e.g. environmental and social factors, as part of its strategic formulation.
- (ii) All Directors act objectively to discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.
 - (iii) The Board discharges its responsibilities either directly or indirectly through various Board committees. These committees (“Board Committees”) include the Nominating Committee (“NC”), Remuneration Committee (“RC”) and Audit Committee (“AC”). Each of the Board Committees functions within its terms of reference. The NC is tasked with the responsibility of carrying out annual reviews of the effectiveness of the Board and each individual Director. If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation would be disclosed.
 - (iv) The Board has also established a Risk Management Committee (“RMC”) to assist the Board on the governance of risk. The membership and key functions of the RMC are set out in the later section of this report.
 - (v) The Board meets once a year to review and deliberate on the key activities and business strategies of the Group. The Board meets at least four times a year to approve the release of the first and third quarters, half-year and full-year financial results. Additional meetings of the Board will be held when circumstances require. The Company’s Bye-Laws allow a Board meeting to be conducted by way of teleconference and video-conference.

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- (vi) New releases issued by the SGX-ST which are relevant to the Directors are circulated to the Board. The External Auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.
- (vii) During the financial year, the attendance of each Director at meetings of the Board and Board Committees held in the financial year ended 31 December 2015 is as follows:

	Board		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Guo Hong Xin	5	3	N/A	N/A	1	1	N/A	N/A
Ma Ming	5	3	N/A	N/A	N/A	N/A	N/A	N/A
Jiang Ning	5	5	4	4	1	1	2	2
Lau Ping Sum Pearce	5	5	4	4	1	1	2	2
Chin Sek Peng	5	5	4	4	N/A	N/A	2	2

- (viii) Each new and existing Director receives appropriate training to develop individual skills in order to discharge his duties. The Group also provides information about its history, mission and values to the Directors. Where necessary, the Directors will be updated regarding new legislation, regulations and changing commercial risks which are relevant to the Group. Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business. The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties and responsibilities. The seminars and trainings will be funded by the Company.
- (ix) The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings. A formal letter of appointment would be furnished to every newly-appointed director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board.
- (x) The Board had adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved for the full Board's decision are those involving a conflict of interest of a substantial shareholder or a Director, material acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuance, declaration of dividends and other returns to shareholders and interested person transactions.

Board Composition and Guidance

Principle 2: Strong and independent element on the Board

- (i) The Board comprises the following members:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of appointment
Guo Hong Xin	Chairman	12 May 2004	25 April 2014	Executive/Non-Independent
Ma Ming	Director	12 May 2004	29 April 2015	Executive/Non-Independent
Jiang Ning	Director	2 February 2005	29 April 2015	Non-executive/Independent
Lau Ping Sum Pearce	Director	2 February 2005	26 April 2013	Non-executive/Independent
Chin Sek Peng	Director	2 February 2005	25 April 2014	Non-executive/Independent

- (ii) The Independent Directors make up more than half of the Board and the independence of each Director is reviewed by the NC. The NC adopts the guidelines of the Code in its review of who can be considered as an Independent Director. The NC is of the view that the non-executive Directors are independent.

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- (iii) 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 and have held their office as Directors for more than nine (9) years. In compliance with the Code, the Board conducted a rigorous review of their independence. The Board sought written feedback from all Directors for the review of the independence of each of the three (3) abovementioned Directors. The criteria applied by the Board for the review included whether each of the three (3) abovementioned Directors (a) demonstrated the essential characteristics of independence expected by the Board; (b) expressed his views on matters discussed and debated issues objectively; (c) sought clarification and explanation when necessary; (d) scrutinised and challenged management on salient issues raised at meetings; and (e) acted objectively at all times, in the interests of the Company and its shareholders.

The Board has determined that Mr Jiang Ning, Mr Lau Ping Sum Pearce and Mr Chin Sek Peng be considered independent notwithstanding that they have served on the Board beyond nine (9) years. Further, Mr Jiang Ning, Mr Lau Ping Sum Pearce and Mr Chin Sek Peng have in-depth understanding of the Group's business and are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

- (iv) The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.
- (v) The NC is of the view that the current Board consists of the appropriate mix of expertise and experience to meet the Company's targets. Qualifications and experiences of the Board members are set out on pages 10 and 11 of the Annual Report. Particulars of interests of Directors who held office at the end of the financial year in shares in the Company and in related corporations (other than wholly-owned subsidiary companies) are set out in the Report of the Directors.
- (vi) The Non-Executive Directors of the Company contribute to the Board processes by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business and they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.
- (vii) The Non-Executive Directors of the Company meet and/or hold discussions as and when required without the presence of Management to facilitate a more effective check on Management.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities at the top of the Company

- (i) The roles of Executive Chairman and Chief Executive Officer are undertaken by Mr Guo Hong Xin who is primarily responsible for overseeing the overall management and strategic development of the Group as well as the effective working of the Board. The responsibilities of the Executive Chairman and Chief Executive Officer include:
- Leading the Board to ensure its effectiveness on all aspects of its role;
 - Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
 - Preparing meeting agenda in consultation with other Directors;
 - Promoting culture of openness and debate at the Board;
 - Ensure that the Directors receive complete, adequate and timely information;
 - Ensure effective communication with shareholders;
 - Encourage constructive relations within the Board and between the Board and management;

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- Assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
- Ensuring that Board meetings are held when necessary; and
- Reviewing key proposals by management before they are presented to the Board.

The Company Secretary may be called to assist the Executive Chairman and Chief Executive Officer in any of the above matters.

In view that the Chairman is not an Independent Director, the Company has appointed Mr Jiang Ning as Lead Independent Director. Shareholders of the Company with concerns that could have a material impact on the Group, for which contact through the normal channels of the Executive Chairman or Chief Financial Officer have failed to resolve or is inappropriate, shall be able to contact the Lead Independent Director.

Board Membership

Principle 4: Formal and transparent process for the appointment of new directors to the Board

- (i) The NC comprises Mr Jiang Ning, Mr Lau Ping Sum Pearce and Mr Guo Hong Xin, a majority of whom are Independent Directors. The Chairman of the NC, Mr Jiang Ning is an independent Director. The NC meets at least once a year and at other times as required.
- (ii) The NC performs the following functions in accordance with its terms of reference:
 - (a) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board, having regard to their background, potential contribution to the Group based on their experience and expertise, and ability to exercise independent business judgement;
 - (b) Reviewing all candidates nominated for appointment as senior management staff;
 - (c) Reviewing and recommending to the Board, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent Directors and having regard at all times to the principles of corporate governance and the Code;
 - (d) Identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting (the "AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
 - (e) Assessing the independence of the Directors (taking into account the circumstances set out in the Code and other salient factors); and
 - (f) Proposing a set of objective performance criteria to the Board for approval and implementation, and to evaluate the effectiveness of the Board, its Board Committees and Directors as a whole and the contribution of each Director to the effectiveness of the Board, its Board Committees and Directors.
- (iii) Pursuant to the Company's Bye-Laws, all Directors are required to submit themselves for re-nomination and re-election at least once every three years.
- (iv) As a Director's ability to commit time to the Group's affairs is essential for his contribution and performance, the Board has determined that the maximum number of listed company board representations which any Director of the Company may hold is six and all Directors have complied.
- (v) Since the Company was first listed in 2005, the Group has not admitted any new Directors to its Board. In the event that the Board decides to appoint new Directors, the NC will conduct an assessment to review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The proposed candidates' independence, expertise, background and skill sets will be considered before the NC makes its recommendations to the Board.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contributions of each Director

- (i) The Board has established a formal assessment process which will be carried out annually for evaluation of the performance of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board. The following are some of the performance criteria:
 - Attendance at Board meetings;
 - Level of participation at Board meetings and overall commitment;
 - Ability to strategise and propose sound business direction; and
 - Contribution of specialised knowledge.
- (ii) The appraisal process requires the Directors to complete appraisal forms which will be collated by an independent coordinator who will compile the results of the appraisal for review by the NC. The NC will thereafter report to the Board. Such an appraisal process was carried out in respect of FY2015.

Access to information

Principle 6: Board members to have complete, adequate and timely information

- (i) The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision making process on an on-going basis and in a timely manner.
- (ii) Board papers are circulated to the Directors before the scheduled meetings so as to allow for a better understanding of the issues and to achieve a more effective discussion time for questions that the Directors may have.
- (iii) The Directors have separate and independent access to senior management and the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of meetings of the Board and of the Board Committees which are circulated. The Company Secretaries ensure that the Company complies with the corporate secretarial aspects of the Bye-Laws and the applicable sections of the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the applicable sections of the Companies Act (Chapter 50, Singapore Statutes) and the Securities and Futures Act (Chapter 289, Singapore Statutes).
- (iv) The appointment and removal of the Company Secretaries are subject to the approval of the Board.
- (v) In carrying out their duties, the Directors, whether individually or as a group, have direct access to the independent professional advisors to obtain advice, at the Company's expense.

2. REMUNERATION MATTERS

Procedures for developing Remuneration Policies

Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors and key management executives

- (i) The RC comprises Mr Lau Ping Sum Pearce, Mr Jiang Ning and Mr Chin Sek Peng all of whom are independent Directors. The Chairman of the RC is Mr Lau Ping Sum Pearce. The RC meets at least once a year and at other times as required.

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- (ii) The key terms of reference of the RC are as follows:
- (a) The RC shall consist of not less than three Directors, a majority of whom shall be Independent Directors. At least one member should be knowledgeable in executive compensation, and if there is a need, expert advice may be obtained internally or externally;
 - (b) The Chairman of the RC shall be appointed by the Board and shall be an Independent Director; and
 - (c) The Board shall appoint a new member within three months of the date of cessation so that the number of members does not fall below three if a member, for any reason, ceases to be a member.
- (iii) The duties and responsibilities of the RC include ensuring that there is a formal, transparent and objective procedure for fixing the remuneration packages of the Directors and key executives. Such level of remuneration should serve to attract, retain and motivate the Directors and key executives needed to manage the Company successfully. A proportion of such remuneration, should be linked to performance of the Company as well as the individual incumbent.
- (iv) The RC performs the following functions in accordance with its terms of reference:
- (a) Reviewing and recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
 - (b) Proposing to the Board, appropriate and meaningful measures for assessing the Directors' and Key Executive's performance;
 - (c) Reviewing and recommending the specific remuneration package to the Board for each Executive Director and the key executives;
 - (d) Considering the eligibility of directors, executives and employees for benefits under long-term incentive schemes; and
 - (e) Considering and recommending to the Board the disclosure of details of the Company's remuneration policy.
- (v) Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.
- (vi) The RC shall review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.
- (vii) The RC may from time to time, and where necessary or required, seek professional advice internally and/ or externally pertaining to remuneration of all Directors.

Principle 8: Remuneration of Directors should be adequate, not excessive and linked to performance

- (i) All Independent Directors have no service agreements with the Company. They are each paid a Director's fee which is determined by the Board based on the effort and time spent as well as responsibilities as member of the AC, NC and RC. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent Directors do not receive any remuneration from the Company.
- (ii) According to the respective service agreements of the Executive Directors:
 - Each service agreement is valid for an initial period of three years which commenced from 1 January 2008 and shall be automatically renewed annually thereafter;
 - The remuneration of the Executive Directors include a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders; and
 - The service agreement may be terminated by either the Company or the Executive Director giving not less than six months' notice in writing.

- (iii) The Company does not use contractual provisions to allow the Company to reclaim incentive component of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Directors' Fees

The proposed fees for non-executive Directors to compensate their time and effort comprise a basic retainer fee and additional fees for appointment to Board Committees and involvement in ad hoc projects.

No Director decides his own fees. Directors' fees are recommended by the RC and are submitted for endorsement by the Board. Directors' fees are subject to the approval of shareholders at the AGM.

Currently, Directors' fees for each financial year are paid in arrears, in the following financial year, after obtaining shareholders' approval at the AGM.

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

- (i) The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Company and individual.
- (ii) Our remuneration framework is made up of three key components:
- Base/fixed salary
 - Variable or performance related income/bonuses
 - Other benefits

Base/fixed salary

Fixed pay comprises a base salary.

Variable or performance related income/bonuses

Variable bonus payouts are based on actual achievement against corporate, business unit and individual performance objectives.

Other benefits

Social insurance fund comprising housing fund, old-age retirement pension, unemployment compensation, medical fund and car allowance.

- (iii) A breakdown, showing the level and mix of each individual Director's and Key Executive's remuneration in FY2015 is reflected in the section on "Disclosure on Directors' and Key Executive's Remuneration".
- (iv) The Company does not have any employees who are immediate family members of a Director or the Chief Executive Officer and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2015.
- (v) The Sunpower Employee Share Option Scheme 2015 was approved and adopted by the shareholders of the Company at a Special General Meeting held on 29 April 2015. Further information on the Scheme can be found on pages 29 and 30 of the Annual Report.

On 19 May 2015, the Company granted a total of 59,220,000 share options at an exercise price of S\$0.116. These share options are exercisable at any time two years after the date of grant and expire no later than the tenth anniversary of the date of grant. Of the total of 59,220,000 share options granted on 19 May 2015, 5,922,000 share options were granted to Mr. Guo Hong Xin, Executive Director and Controlling Shareholder of the Company; 8,968,000 share options were granted to Mr. Ma Ming, Executive Director of the Company; and the remaining 44,330,000 share options were granted to the employees of the Group.

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Disclosure on Directors' and Key Executive's Remuneration

The Board has not disclosed the remuneration of the Company's individual Directors and key executives of the Group in full in view of the competitive nature of the industry in which the Group operates and to maintain confidentiality on remuneration matters of the Group.

The variable or performance related income/bonus is to recognise the efforts and contributions and performance of the Executive Directors and key executives, whether as a whole and/or on an individual basis, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

The level and mix of each Director's and Key Executive's remuneration in FY2015 is as follows:

Remuneration Band & Name of Director	Base/fixed salary	Variable or performance related income/ bonuses	Director's fees	Other benefits*	Total %
<i>Executive Directors</i>					
<i>Between \$500,000 to \$1,500,000</i>					
Mr Guo Hong Xin	22.7%	75.9%	–	1.4%	100
Mr Ma Ming	21.0%	77.6%	–	1.4%	100
<i>Independent Directors</i>					
<i>Below \$250,000</i>					
Mr Jiang Ning	–	–	100%	–	100
Mr Lau Ping Sum Pearce	–	–	100%	–	100
Mr Chin Sek Peng	–	–	100%	–	100
<i>Key Executives</i>					
<i>Below \$250,000</i>					
Ms Ge Cui Ping	44.4%	47.1%	–	8.5%	100

* Other benefits include social insurance fund and car allowance.

Other than Ms Ge Cui Ping, the Group do not have other key executive in FY2015.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Board's accountability to shareholders

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's and Group's performance, position and prospects on a quarterly basis. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and the Company's website. The Management presents the quarterly financial statements to the AC for review and recommendation to the Board for approval. The financial result announcement is reviewed carefully by the AC and the Board before being released. If required, the Group's external auditors' view will be sought. The Board ensures that all relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliance with the regulatory requirements. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.

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The Board reviews operational and regulatory compliance reports from the Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

In line with the SGX-ST Listing Rules, the Board provides an assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements. The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

Principle 11: Sound system of internal controls

- (i) The Group has put in place a system of risk management and internal controls to respond to financial, operational and compliance risks that are significant to the achievement of the Group's business objectives.
- (ii) The Board reviews the effectiveness of the Group's risk management and internal controls, including operational controls and is responsible for the overall internal control framework annually. The Board acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.
- (iii) The Board has obtained a written confirmation from the CEO (or equivalent) and the CFO (or equivalent) that:
 - (a) The financial records of the Group have been properly maintained and the financial statements are prepared in accordance with Singapore Financial Reporting Standards to give a true and fair view of the Group's financial position as at reporting date and its performance for the financial year then ended; and
 - (b) The risk management and internal control systems that are in place in the Group are adequate and effective to address the key risks in the Group.
- (iv) Based on the representation from the CEO and CFO as described above, review of the findings from the auditors on the Group's internal control and the management's responses to the auditors' recommendation for improvements to the Group's internal controls and discussions with the auditors and management, the Board with the concurrence of the AC is satisfied that there are adequate internal controls to address the key financial, operational and compliance risks of the Group.
- (v) To strengthen its risk management processes and framework, the RMC was formed in 2011. The members of RMC are Executive Directors, Mr Guo Hong Xin and Mr Ma Ming, Independent Director, Mr Jiang Ning and the CFO, Ms Ge Cui Ping. The RMC shall meet no less than two times a year and at other times as required.
- (vi) The RMC shall perform the following key functions in accordance with its terms of reference:
 - (a) Evaluate and provide advice on the business risks (strategic, financial, and compliance with laws and regulations);
 - (b) Study and identify internal controls and risk management strategies to manage the identified risks;
 - (c) Design and implement new controls and strategies to address identified business risks;
 - (d) Study and analysed material investments, financing and other operational management activities, and advise the Board; and
 - (e) Any other functions as authorised by the Board.

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Audit Committee

Principle 12: Establishment of Audit Committee with written terms of reference

- (i) The AC comprises three Independent Non-Executive Directors, namely, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce and Mr Jiang Ning.

The Chairman of the AC, Mr Chin Sek Peng is, by profession, a public accountant and a fellow practising member of the Institute of Singapore Chartered Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales and has worked in the accounting profession for more than 30 years. The other members of the AC have many years of experience in business and financial management. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the function of the AC.

- (ii) The key terms of reference of the AC include the following:

- (a) The AC shall consist of not less than three Directors appointed by the Board, all of whom shall be non-executive Directors with the majority being independent Directors. At least two members of the AC shall have accounting or related financial management expertise or experience and its membership, details of its activities, number of meetings and attendance at such meetings, shall be disclosed annually; and
- (b) The Board shall appoint a new member within three months of cessation so that the number of members does not fall below three.

- (iii) The AC performs, *inter alia*, the following key functions:

- (a) Reviewing with internal and external auditors their audit plans, their evaluation of the system of internal controls and the reports on their findings including recommendations for improvement;
- (b) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls which are carried out internally and/or with the assistance of professional service firms;
- (c) Reviewing the Group's financial results and the announcements and annual financial statements of the Company and its subsidiaries before submission to the Board for approval;
- (d) Reviewing the scope and results of the external audit and the independence and objectivity of the external auditors;
- (e) Reviewing significant findings of internal investigations, if any;
- (f) Recommending to the Board the appointment or re-appointment of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- (g) Reviewing interested person transactions; and
- (h) Any other functions as required by law or the Code.

- (iv) The AC is authorised to investigate any matters in its terms of reference, and has full access to and co-operation of management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly.

- (v) The AC will meet with the external auditors and internal auditors without the presence of management annually. The AC also met with the external auditors to discuss matters relating to internal accounting controls as well as the results of their audit of the Group.

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- (vi) The AC annually reviews, *inter alia*, the independence and objectivity of the external auditors, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors. The AC seeks to maintain objectivity by reviewing all non-audit services provided by the external auditors to the Group, and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.
- (vii) The Group has complied with Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST in relation to its auditors.
- (viii) The AC read technical newsletters as appropriate and was updated by the auditors during the AC meeting to keep abreast of changes in accounting standards and issues.

Whistle-blowing Policy

The Board undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels within the Group, including a direct channel to the AC, for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal.

Internal Audit

Principle 13: Setting up independent internal audit function

- (i) The Group has an in-house internal audit team comprising four staff, which includes an Internal Audit Manager, Ms Zhang Hui Hui, a certified internal auditor. Ms Zhang graduated from Nanjing University of Finance and Economics in 2007 and became a certified internal auditor in 2009.

Based on the internal controls established, the internal audit department is responsible for ensuring that the Company has a comprehensive and sound management system, conduct proper internal checks and propose appropriate recommendations from time to time on a regular basis.

The in-house internal audit team will conduct regular checks and has an annual audit plan focusing on the high risk issues within the operating subsidiaries of the Group. This includes areas that the AC are particularly concerned and/or not audited for more than two years and new businesses that are in operation for more than one year. The in-house internal audit team will also carry out prompt internal audit work if there are any high risk concerns indicated by the AC.

Besides this, the Company also engaged an external professional service firm, Nexia TS Risk Advisory Pte Ltd ("Nexia TS"), to perform review and test of controls of critical processes, including the review of interested person transactions. The management will seek to ensure that there is no duplication of work performed by Nexia TS and the in-house internal audit team.

Both the in-house internal audit team and Nexia TS have unfettered access to all the Company's documents, records, properties and personnel, and have unrestricted access to the AC.

The AC reviewed the scope of internal audit work and the key audit procedures, including any findings during the year and the management's responses thereto; and ensured the adequacy of the internal audit function annually. All team members of Nexia TS are members of the Institute of Internal Auditors Singapore ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out by Nexia TS is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) which is laid down in the International Professional Practices Framework issued by the IIA.

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4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights, Communication with Shareholders and Conduct of Shareholder Meetings

Principle 14: Regular, effective and fair communication with shareholders

- (i) The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the rules of the Listing Manual of the SGX-ST.
- (ii) Information is communicated to shareholders on a timely basis through:
 - Annual reports that are prepared and issued to all shareholders within the mandatory period;
 - Public announcements via SGXNet system, the press and analysts;
 - Notices of annual general meetings; and
 - The Company's website and investor relations channel on financial portal at <http://www.sunpower.com.cn> at which shareholders can access information on the Group.

Principle 15: Shareholders' participation at AGM

- (i) The Board will support and encourage active shareholders' participation at AGMs as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them.
- (ii) General meetings have been and are still the principal forum for dialogue with the shareholders. They offer opportunities for the Board to interact with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.
- (iii) The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests.
- (iv) The Group does not practise selective disclosure. The Company makes every effort to ensure that shareholders have easy access to clear, meaningful and timely information on the Company in order to make informed investment decisions. All material information and presentation slides (if any) would be released via SGXNet on the timely basis.
- (v) The Group does not have a fixed dividend policy at present. However, the Board would consider recommending a dividend as appropriate each year after considering the Group's profit, cash position and projected capital requirements for its operation and business growth.

Principle 16: Conduct of Shareholders' Meetings

- (i) At AGMs, shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. The Board supports the Code's principle to encourage shareholder participation. The Bye-Laws allow a shareholder of the Company to appoint one or two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders via the internet is not compromised.
- (ii) The members of the AC, NC and RC will be present at the AGM to address queries relating to the work of these committees. The Company's auditors are also invited to attend the AGM.
- (iii) All resolutions tabled at the general meetings are voted by poll for which the procedures are clearly explained by the scrutineers thereat. The voting results of each resolutions tabled are announced at the meeting and in an announcement released after the meeting to SGX-ST via SGXNet.

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- (iv) The resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are in single item resolutions.
- (v) The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management, and are made available to shareholders upon their request.
- (vi) The Company has not implemented electronic voting at general meetings in view of the cost involved, but will consider implementing it in future if electronic voting is more cost efficient to do so.

5. DEALINGS IN SECURITIES

(Rule 1207 (19) of the Listing Manual)

Directors and officers of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results.

The Company has complied with the SGX-ST's rules on best practices on dealings in the Company's securities in FY2015.

6. INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Listing Manual)

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions for the year ended 31 December 2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	RMB'000	RMB'000
Jiangsu Sunpower Fuyou Holding Co., Ltd.		
● Purchase consideration for the acquisition of Jiangsu Fuyou Industry Co., Ltd.	11,246	–
Sunpower Business Group Pte. Ltd.		
● Mr Guo Hong Xin subscribed for 71,428,571 of new placement shares	4,635	–
Tournan Trading Pte. Ltd.		
● Mr Ma Ming subscribed for 71,428,571 of new placement shares	4,635	–

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7. MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Manual)

Other than the service agreements between the Executive Directors and the Company, a subsidiary of the Company has entered into a contract involving the interest of two Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2015. Details of the contract are as follows:

The Company's wholly-owned subsidiary, Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd., has entered into an agreement to acquire the entire issued and paid-up share capital of Jiangsu Fuyou Industry Co., Ltd. ("Jiangsu Fuyou"), a company incorporated in the People's Republic of China, from Jiangsu Sunpower Fuyou Holding Co., Ltd. ("Sunpower Fuyou"), a company in which Mr Guo Hong Xin and Mr Ma Ming, the Executive Directors of the Company, each hold 45% of the entire issued and paid-up share capital (the "Acquisition"). As a result of the Acquisition, Jiangsu Fuyou becomes an indirect wholly-owned subsidiary of the Company.

The total consideration for the Acquisition of RMB11,245,730, is made up of two parts, namely (i) the net assets of Jiangsu Fuyou as at 30 June 2015, as appraised by an independent professional firm, amounting to RMB9,987,500; and (ii) the interest amounts derived from the debts owed to Sunpower Fuyou, by Jiangsu Fuyou, and calculated on the loan interest rate charged by local banks in the People's Republic of China, aggregating RMB1,258,230.

The above consideration was arrived at on the basis of arm's length negotiation between a willing buyer and a willing seller, after taking into account, *inter alia*, various factors such as the existing assets, financial position and business prospects of Jiangsu Fuyou. The Acquisition was wholly satisfied in cash, and funded by the Group's internal resources.

8. USE OF PROCEEDS

The net proceeds raised from the placement completed on 30 December 2015 ("Placement Proceeds") amounted to approximately S\$46.6 million (equivalent to RMB213.894 million) (after deducting estimated costs and expenses of approximately S\$1.4 million (equivalent to RMB6.426)).

As at 28 March 2016, the Group has partially utilised the Placement Proceeds. Details are set out in the table below:

	Amount (RMB'000)
Net proceeds raised from placement	213,894
Placement proceeds utilised	
Purchase of land in respect of the Changrun Project	(24,500)
Investment in the Lianshui Sunpower Clean Energy Co., Ltd., being the joint venture investment company in respect of the Lianshui Project	(28,500)
Balance Placement Proceeds	160,894

Each of the above utilisation of Placement Proceeds is consistent with the intended use as disclosed in the Company's circular to shareholders dated 20 November 2015.