

CORPORATE GOVERNANCE REPORT

The board (the “**Board**”) of directors (“**Directors**”) and management (“**Management**”) of Sunpower Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) are committed to upholding a high standard of corporate governance, including accountability, transparency and sustainability, in order to safeguard the interests of all stakeholders and to promote investors’ confidence. To this end, the Board has in place a set of self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2018 (the “**Code**”) issued by the Monetary Authority of Singapore.

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

1. BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of 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. In addition, the Board has adopted a set of internal guidelines setting forth matters that require the Board’s prior approval. The Board is responsible for decisions over matters involving, among other things, conflicts of interest of a substantial shareholder or a Director, approving annual budgets, financial plans, financial statements, business strategies and material transactions such as major acquisitions, divestments, interested person transactions, funding and investment proposals as well as corporate or financial restructuring, share issuance, declaration of dividends and other permitted returns to shareholders. 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 to:

- (a) provide entrepreneurial leadership, review and approve the Group’s key business strategies and financial objectives, including major investments and 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 the performance of the Management;
 - (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 interests of the Company.

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- (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. 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 has also established an independent committee (“**IC**”) to assist the Board to review and approve Interested Person Transactions (the “**IPTs**”) with Mandated Interested Persons (as defined below) (“**Mandated Transactions**”) in accordance with the procedures under the IPT Mandate (as defined in the Company’s circular to its shareholders dated 31 March 2021).
- (vi) 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 (4) times a year to approve the release of the financial results for the first and third quarters, half-year and full-year. Additional meetings of the Board will be held where circumstances require. The Company’s Bye-Laws allow a Board meeting to be conducted by way of teleconference and video-conference.
- (vii) The Board, with the concurrence of the NC, is of the view that the Directors have attended and actively participated in Board and Board Committee meetings, and that each Director has ensured that sufficient time and attention has been given to the affairs of the Group in the financial year ended 31 December 2021 (“**FY2021**”). The following table discloses the number of meetings held by the Board and Board Committees and the attendance of all Directors in FY2021:

	Board		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Guo Hong Xin	4	4	N/A	N/A	1	1	N/A	N/A
Ma Ming	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Lau Ping Sum Pearce	4	4	4	4	1	1	1	1
Chin Sek Peng	4	4	4	4	1	1	1	1
Li Lei*	4	1	N/A	N/A	1	0	1	0
Liu Haifeng David*	4	2	N/A	N/A	1	0	1	0
Yang Zheng	4	4	4	4	1	1	N/A	N/A
Wang Dao Fu	4	4	N/A	N/A	1	1	1	1

* Mr Li Lei and Mr Liu Haifeng David each appointed an authorised representative to attend the NC and RC meetings held in February 2021 on their behalf. In addition, they also appointed an authorised representative to attend the meetings of the Board in 2021 on their behalf.

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- (viii) Each new and existing Director receives appropriate training to develop individual skills in order to discharge his duties as a director of a listed company. A formal letter of appointment would be furnished to every newly-appointed Director upon his or her appointment explaining, among other matters, the roles, obligations, duties and responsibilities of a member of the Board. 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 direction, directors' duties and responsibilities and 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. These seminars and training will be funded by the Company. In addition, the Company has adopted more robust internal processes designed to ensure compliance with disclosure requirements under the Mainboard listing rules ("**Listing Rules**").
- (ix) The Management monitors changes to regulations, policies and financial reporting standards issued by, amongst others, the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority of Singapore. Any change that might impact the Group and its disclosure obligations are promptly brought to the attention of the Board, either during Board meetings or via circulation of Board papers. The external auditors will update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.
- (x) In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company prior to Board meetings.

Access to 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 the 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 thereafter circulated. The Company Secretaries assist the Company to comply with the corporate secretarial aspects of the Bye-Laws and the applicable sections of the Listing Rules and the applicable sections of the Companies Act 1967 and the Securities and Futures Act 2001.
- (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 independent professional advisors to obtain advice, at the Company's expense.

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Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company

(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	Due for re-election at the next annual general meeting	Nature of appointment
Guo Hong Xin	Chairman	12 May 2004	25 April 2019	Retirement by rotation pursuant to Bye-Laws	Non-Executive/ Non-Independent
Ma Ming	Director/Chief Executive Officer	12 May 2004	24 June 2020	N/A	Executive/ Non Independent
Lau Ping Sum Pearce	Director	2 February 2005	24 June 2020	N/A	Non-Executive/ Independent
Chin Sek Peng	Director	2 February 2005	25 April 2019	Retirement by rotation pursuant to Bye-Laws	Non-Executive/ Independent
Li Lei	Director	3 March 2017	24 June 2020	N/A	Non-Executive/ Non-Independent
Yang Zheng	Director	10 November 2017	28 April 2021	N/A	Non-Executive/ Independent
Wang Dao Fu	Director	25 June 2019	28 April 2021	N/A	Non-Executive/ Independent
Wang Guannan	Director	25 February 2022	–	Retirement by rotation pursuant to Bye-Laws	Non-Executive/ Non-Independent

(ii) The Board currently comprises eight (8) Directors, four (4) of whom are Independent Directors. In accordance with Provision 2.3 of the Code, the Board comprises seven (7) Non-Executive Directors which make up a majority of the Board.

Following the disposal of the manufacturing and services (“M&S”) business (the “Disposal”), Mr Guo Hong Xin (“Mr Guo”) has stepped down from the Executive Chairman position to become the Non-Executive Chairman following his redesignation as a Non-Executive and Non-Independent Director. Mr Ma Ming was appointed as the Chief Executive Officer with effect from 11 August 2021. Ms Wang Guannan was appointed as Non-Executive and Non-Independent Director on 25 February 2022 upon Mr Liu Haifeng David’s resignation.

The NC adopts the provisions of the Listing Rules and of the Code in its review of who can be considered as an Independent Director. The NC is of the view that all the Non-Executive Directors are Independent except for Mr Guo, Mr Li Lei and Ms Wang Guannan.

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Pursuant to Rule 210(5)(c) of the Listing Rules which came into effect on 1 January 2022, independent directors are to make up a majority of the Board where the Chairman is not independent. Although Mr Guo is the Non-Executive Chairman of the Company, the Independent Directors do not currently make up the majority of the Board. Notwithstanding the foregoing, the Board believes that at this stage, Mr Guo's leadership in his role as Non-Executive Chairman is still merited as Mr Guo is one of the founders of the Company, and has been continuing to support the development of the Group.

In addition, the Board is capable of maintaining the appropriate level of checks and balances. This is demonstrated by the fact that Mr Guo would recuse himself from matters where he has a material personal interest. In such cases, deliberations would be led by the Lead Independent Director. Upon Mr Guo's recusal, the Independent Directors would then make up the majority of the Board deciding on such matters. Accordingly, they are in a strong position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision. In addition, as each Director actively participates in the Board's decision-making process, decisions are made collectively without any individual or small group of individuals influencing or dominating the process.

- (iii) 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 accordance with Rule 210(5)(d)(iii) of the Listing Rules which has taken effect on 1 January 2022, the Company has sought and obtained approvals at the Company's annual general meeting ("**AGM**") in calendar year 2021 for the continued appointments of Mr Lau Ping Sum Pearce and Mr Chin Sek Peng as Independent Directors of the Company. The approvals will remain valid until the earlier of Mr Lau Ping Sum Pearce's and Mr Chin Sek Peng's retirement or resignation, or the conclusion of the third (3rd) AGM following the approvals obtained at the AGM in calendar year 2021.

Each Independent Director exercises his own judgment independently and in the best interests of the Company and shareholders. None of the Independent Directors has any relationship with the Company, its subsidiaries, its related corporations, its substantial shareholders or its officers that could interfere, or reasonably be perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company.

The Board has determined that Mr Lau Ping Sum Pearce and Mr Chin Sek Peng should be considered independent notwithstanding that they have served on the Board for more than nine (9) years.

- (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 Board comprises Directors who are all professionals with diverse backgrounds in financial, accounting, legal, and other industry sectors, thereby enabling them to contribute each of their respective areas of expertise in collectively leading the Company. 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 14 to 17 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 Directors' Statement.
- (vi) The Non-Executive Directors contribute to the Board processes by monitoring and reviewing the performance of the Management against its goals and objectives. Their views and opinions provide alternative 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.

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- (vii) The Non-Executive Directors meet and/or hold discussions as and when required without the Management's presence to facilitate a more effective check on the Management. Mr Guo may attend the meeting as non-executive director when necessary and he would recuse himself from matters where he has a material personal interest, as deliberated upon in the above principle 2 (ii).
- (viii) Although the Board has not implemented specific policies on the makeup of the Board in terms of the gender, age, ethnicity or background of the Directors, the NC will continue to take steps to ensure that these factors are duly considered to ensure that the Company has the appropriate level of diversity of background in its composition. The Board has appointed a female Director to the Board as part of its diversity initiatives. The Board is intending to put in place a Board diversity policy which will take into consideration criteria such as qualification, gender, skill, experience and knowledge in various fields and relevant industries to achieve an optimal composition for the Board for the benefits and needs of the Company.
- (ix) For the reasons stated above, although no formal Board diversity policy has been implemented, the NC and the Board of the Company will continue to build on the element of diversity, recognising the importance of having an effective and diverse Board. Currently, the Board has one female Director. Based on the Group's current size and operations, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company, consistent with the spirit and intent of Principle 2 of the Code. As at the date of this report, the Board comprises seven (7) Non-Executive Directors who make up the majority of the Board as well as one (1) Executive Director.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

- (i) Mr Guo is currently the Non-Executive Chairman of the Board while Mr Ma Ming is the Chief Executive Officer ("CEO"). There is a clear division of roles and responsibilities between the Non-Executive Chairman and the CEO. The Non-Executive Chairman leads and manages the business of the Board whilst the CEO and his team of management staff translate the Board's decisions into executive action. The segregation of the roles and responsibilities of the Chairman and the CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.
- (ii) The responsibilities of the Chairman include:
- mobilising the Board to formulate the development strategy, set out the development aims and approve the aims;
 - leading the Board to ensure the effectiveness of its role in all respects;
 - 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;
 - ensuring that the Directors receive complete, adequate and timely information;
 - encouraging constructive relations within the Board;

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- assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
- overseeing effective communication with shareholders; and
- ensuring that Board meetings are held when necessary.

The CEO is primarily responsible for overseeing the management and strategic operation of the Group as well as assisting in the working of the Board. The responsibilities of the CEO include:

- propelling the implementation of the strategy approved by the Board in order to direct the management team to effectuate the aims approved by the Board;
 - developing the Group's businesses and operational strategies;
 - implementing the Board's decisions;
 - assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
 - assisting in the holding of the Board meetings when necessary; and
 - reviewing key proposals by the Management before they are presented to the Board.
- (iii) The Company Secretaries may be called upon to assist the Chairman in any of the above matters.
- (iv) In view of the fact that the Non-Executive Chairman is not an Independent Director, the Company has appointed Mr Yang Zheng as the 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 with the Non-Executive Chairman, CEO, or Chief Financial Officer (“**CFO**”) have failed to resolve or is inappropriate, are able to contact the Lead Independent Director.
- (v) The Board believes that there is sufficient oversight and standards of accountability to ensure that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board

- (i) The NC comprises Mr Lau Ping Sum Pearce, Mr Guo, Mr Chin Sek Peng, Mr Li Lei, Ms Wang Guannan, Mr Yang Zheng and Mr Wang Dao Fu, a majority of whom are Independent Directors. The chairman of the NC, Mr Wang Dao Fu, is an Independent Director. The NC meets at least once a year and at other times as required.
- (ii) The key terms of reference of the NC are as follows:
- (a) the NC shall consist of not less than three (3) Directors, a majority of whom shall be Independent Directors;
 - (b) the chairman of the NC shall be appointed by the Board and shall be an Independent Director; and
 - (c) the Board shall appoint a new member of the NC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

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- (iii) The NC performs the following functions in accordance with its terms of reference:
 - (a) carrying out annual reviews of the effectiveness of the Board and each individual Director;
 - (b) 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;
 - (c) reviewing all candidates nominated for appointment as senior staff of the Management;
 - (d) 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 Listing Rules, principles of corporate governance and the Code;
 - (e) 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 AGM of the Company, having regard to the Directors' contribution and performance;
 - (f) assessing the independence of the Directors (taking into account the circumstances set out in the Listing Rules, the Code and other salient factors); and
 - (g) 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.
- (iv) Pursuant to the Company's Bye-Laws and the Listing Rules, all Directors are required to submit themselves for re-nomination and re-election at least once every three (3) years.
- (v) The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his other listed company board directorships and other principal commitments. Therefore, the Board has passed a resolution to remove the maximum number of listed company board representations that any of its directors may hold.
- (vi) 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 NC will also consider the proposed candidate's independence, expertise, background and skill sets before the NC makes its recommendations to the Board.
- (vii) Save for their directorships in the Company, none of the Independent Directors have any relationships with the Company and/or its related corporations, the Company's substantial shareholders, or the Company's officers.

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The listed company directorships and principal commitments* of the Directors are set out in the table below:

Name of Directors	Listed Company Directorships	Principal Commitments*
Executive Directors		
Mr Ma Ming	Sunpower Group Ltd.	Executive Director, CEO
	Sunpower Technology (Jiangsu) Co., Ltd	Deputy Chairman
Independent Directors		
Mr Lau Ping Sum Pearce	Sunpower Group Ltd.	Independent Director, RC Chairman, member of AC and NC
	Cortina Holdings Limited	Independent Director, RC Chairman, member of AC and NC
	P5 Capital Holdings Ltd.	Independent Director, Non-Executive Chairman of the Board, NC Chairman, member of AC and RC
	–	Member of the Singapore Institute of Directors. Chairman of the Programme Advisory Committee for BA Translation and Interpretation
	–	Examiner for Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences
–	Adjunct Professor of Translation and Interpretation	
Mr Chin Sek Peng	Sunpower Group Ltd.	Independent Director, AC Chairman, NC member, RC member
	Cortina Holdings Limited	Lead Independent Director, AC Chairman, NC member
	Amcorp Global Ltd. (formerly known as TEE Land Limited)	Independent Director, AC Chairman, member of NC and RC
	Sitra Holdings (International) Limited (resigned in October 2021)	Lead Independent Director, AC Chairman, NC member
	–	Director of C&L Business Advisers Pte Ltd
	–	Executive Chairman responsible for running, managing and growing the professional services of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants in Singapore. He is also the Head of risk consulting and the co-founder of PKF-CAP Risk Consulting Pte Ltd.

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Name of Directors	Listed Company Directorships	Principal Commitments*
Mr Yang Zheng	Sunpower Group Ltd. Luenmei Quantum Co., Ltd. Anhui Xinke New Materials Co., Ltd. Meig Smart Technology Co., Ltd. Svg Group Co., Ltd. –	Lead Independent Director, member of AC and NC Independent Director Independent Director Independent Director Independent Director Professor of Nanjing Audit University
Mr Wang Dao Fu	Matex International Limited – – – –	Independent Director Founding Partner of Yuan Tai Law Offices Director of Proceq Trading (Shanghai) Co. Ltd (China) Director of MOBO Information Technology Pte Ltd Director of SGD Investment Pte Ltd
Non-Executive, Non-Independent Directors		
Mr Guo Hong Xin	Sunpower Group Ltd. Genscript Biotech Corporation – – –	Non-Executive Chairman and NC member Independent Director, RC Chairman and AC member Chairman of Sunpower Technology (Jiangsu) Co., Ltd Executive Director of Nanjing Fuyou Investment Co., Ltd. Legal Representative of Zhuhai Hengqin Fuyou Investment Partnership (Limited Partnership)
Ms Wang Guannan	Sunpower Group Ltd. –	Non-Executive and Non-Independent Director, member of NC and RC Director of DCP Capital
Mr Li Lei	Sunpower Group Ltd. – –	Non-Executive and Non-Independent Director, member of NC and RC Managing Director of CDH Investments Management (Hong Kong) Limited (“CDH Investments”) Mr Li is the managing director of CDH Investments and according to the internal arrangement of CDH Investments, Mr Li is the rotating director and he has served as director of another 23 companies in which CDH Investments has invested. However, Mr Li is not involved in, nor does he make any decisions relating to, any operational matters in these companies.

* The term “principal commitments” includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors

- (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 certain of such 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 the external facilitator, Dentons Rodyk & Davidson LLP, which 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 FY2021.

Dentons Rodyk & Davidson LLP is also the Company's Singapore corporate secretarial service provider and Senior Partner, Ms Marian Ho of Dentons Rodyk & Davidson LLP serves as Company Secretary of the Company.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

- (i) The RC comprises Mr Lau Ping Sum Pearce, Mr Chin Sek Peng, Mr Li Lei, Ms Wang Guannan and Mr Wang Dao Fu. A majority of the aforementioned Directors are Independent Directors. The chairman of the RC is Mr Lau Ping Sum Pearce, an Independent Director. The RC meets at least once a year and at other times as required.
- (ii) As of the date of this report, the terms of reference of the RC have been revised, as part of the Board's efforts to update the RC's responsibilities in line with evolving realities and circumstances.
- (iii) The key terms of reference of the RC are as follows:
- (a) The RC shall consist of not less than three (3) Directors, a majority of whom shall be Independent Directors. At least one (1) 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.
 - (c) The Board shall appoint a new member of the RC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

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- (iv) 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 concerned.
- (v) 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 executives' 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;
 - (e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy; and
 - (f) exercising oversight of the Company's internal control framework relating to the administration of any share option schemes and making recommendations to the Board in respect of any possible improvements to such schemes.
- (vi) Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.
- (vii) The RC shall review the Company's obligations arising in the event of the termination of the contract of service of any Executive Director or key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses.
- (viii) 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 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

- (i) None of the Independent Directors have service agreements with the Company. Each Independent Director is 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.

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(ii) According to the service agreement of the Executive Director:

- the service agreement is valid for an initial period of three (3) years which commenced from 1 January 2008 and shall be renewed automatically annually thereafter. The terms of the service agreement may be amended from time to time as agreed between the Executive Director and the Company, taking into account the prevailing developments and circumstances in relation to the employment of the Executive Director with the Company;
- the remuneration of the Executive Director includes 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 relevant Executive Director giving not less than six (6) months' notice in writing.

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. The Board believes that the fees for Non-Executive Directors are commensurate with their respective levels of contribution, taking into account factors such as effort, time spent, and responsibilities.

No Director decides on 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.

The remuneration framework and structure are set out in the section on "Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation".

As reflected in the table set out in the section on "Disclosure on Directors' and Key Executives' Remuneration", 44.9%* of the Executive Director's remuneration is made up of variable or performance related income/ bonuses. The Board is of the view that this makes up a significant and appropriate portion of the Executive Directors' remuneration, and that the Executive Directors' performance related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

Remuneration of Key Executives

The remuneration framework and structure are set out in the section on "Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation". The proportion of the key executives' remuneration linked to performance is set out in the table in the section on "Disclosure on Directors' and Key Executives' remuneration". The Company continually improves and strengthens its internal management to ensure that the remuneration packages are always appropriate and accompanied by competitive compensation and progressive policies with suitable and attractive incentives. While the proportion varies between the key executives, the Board is of the view that in each case, performance related remuneration makes up a significant and appropriate proportion of the key executives' remuneration, and is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

* This refers to Mr Ma Ming's remuneration only. Following the Disposal of the M&S business on 30 April 2021, Mr Guo has stepped down from his position as Executive Director and has been redesignated to Non-Executive and Non-Independent Director.

CORPORATE GOVERNANCE REPORT

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation

- (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 (3) 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 FY2021 is reflected in the section below on "Disclosure on Directors' and Key Executives' Remuneration".

Disclosure on Directors' and Key Executives' 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. While the Board acknowledges that not all of the information specified in Provision 8.1 of the Code has been disclosed, the Board believes that for the aforementioned reasons, this decision is in the interests of the Company. Furthermore, the Board believes that it has been sufficiently transparent (while balancing the interests of the Company and the Group) in relation to its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. As such, the Board believes that the practices that the Board has adopted are consistent with Principle 8 of the Code.

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.

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The level and mix of remuneration of each Director and key executive in FY2021 are 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>					
Between S\$2,050,000 to S\$2,550,000					
Mr Ma Ming	54.3%	44.9%	–	0.8%	100%
<i>Non-Executive, Non-Independent Directors</i>					
Between S\$500,000 to S\$900,000					
Mr Guo Hongxin**	47.0%	24.1%	28.2%	0.7%	100%
<i>Independent Directors</i>					
Below S\$250,000					
Mr Lau Ping Sum Pearce	–	–	100%	–	100%
Mr Chin Sek Peng	–	–	100%	–	100%
Mr Yang Zheng	–	–	100%	–	100%
Mr Wang Daofu	–	–	100%	–	100%
<i>Non-Executive, Non-Independent Directors</i>					
Mr Liu Haifeng David***	–	–	–	–	–
Mr Li Lei***	–	–	–	–	–
<i>Key Executives</i>					
Below S\$250,000					
Ms Wang Hui****	55.0%	34.7%	–	10.3%	100%
Mr Tang Hao	58.8%	33.7%	–	7.5%	100%
Mr Shi Shaolin	48.0%	36.6%	–	15.4%	100%
Mr Sha Jianhua	68.7%	27.1%	–	4.2%	100%
Mr Zheng Xiaodong	72.8%	21.5%	–	5.7%	100%
Mr Xu Jun	67.9%	28.7%	–	3.3%	100%

* Other benefits include social insurance fund and car allowance

** Mr Guo has stepped down from his position as Executive Chairman and has been redesignated to Non-Executive and Non-Independent Director following the disposal of the M&S business.

*** Mr Liu Haifeng David and Mr Li Lei do not receive remuneration from the Group. Mr Liu Haifeng David had ceased as Director of the Company on 25 February 2022.

**** Ms Wang Hui was appointed as Chief Financial Officer on 30 April 2021 following the disposal of the M&S business.

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Above are the Group's key executives in FY2021. The total remuneration paid to the above key executives (who are not Directors or the CEO) of the Company in FY2021 is RMB4.02 million.

Save as disclosed above, the Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 during FY2021.

- (iv) The Sunpower Employee Share Option Scheme 2015 (“**ESOS 2015**”) was approved and adopted by the shareholders of the Company at a special general meeting held on 29 April 2015.⁽¹⁾

On 19 May 2015, the Company announced that it had granted a total of 59,220,000 share options (the “Initial Grant”). Of the 59,220,000 share options granted pursuant to the Initial Grant, 5,922,000 share options were granted to Mr Guo Hong Xin, Executive Director (currently Non-Executive Director) and controlling shareholder of the Company at the time of the grant; 8,968,000 share options to Mr Ma Ming, Executive Director (currently Executive Director and CEO) and controlling shareholder of the Company at the time of the grant; and 44,330,000 share options to the employees of the Group.

An aggregate of 3,710,000 share options from the Initial Grant has lapsed from 2016 to 2020. Subsequently, the Company has granted a total of 3,710,000 share options, a number that is equivalent to the lapsed options, comprising 210,000, 1,420,000, 1,080,000 and 1,000,000 share options granted respectively on 20 July 2016, 11 May 2018, 31 January 2019 and 20 March 2020, to the employees of the Group. No options were granted or lapsed during the financial year ended 31 December 2021.

The implementation of ESOS 2015 aligns the interests of the shareholders with the Company. The Board has made the administration of options a key focal point of their work and included new grant applications as an agenda item during Board meetings. The RC exercises oversight of the Company's internal control framework relating to the administration of any share option schemes and makes recommendations to the Board in respect of possible improvements to such schemes. The Company has initiatives and measures in place to strengthen internal processes relating to the grant and exercise of options in accordance with the Listing Rules, including the appointment of external advisors to review the internal processes if necessary. Further, the Company is able to consult the Company's external legal counsel, Rajah & Tann Singapore LLP, for regulatory and legal advice whenever necessary, and is also able to seek continuing further education from the external legal counsel.

(1) Further information relating to ESOS 2015 can be found in the circular issued to the Company's shareholders dated 6 April 2015.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders

- (i) The Group has put in place a system of risk management and internal controls to respond to financial, operational, compliance and information technology risks that are significant to the achievement of the Group's business objectives.
- (ii) The Board reviews the adequacy and 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 and the CFO 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 (International) to give a true and fair view of the Group's operations and 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 confirmation from the CEO and CFO as described above, review of the findings from the auditors on the Group's internal controls and the Management's responses to the auditors' recommendation for improvements to the Group's internal controls, review of minutes of the RMC including any significant matters reported to the AC by the risk management team and discussions with the auditors and Management, the Board with the concurrence of the AC, is of the opinion that the internal controls are adequate and effective to address key financial, operational, and compliance risks as at 31 December 2021. Additionally, the Board is satisfied that the risk management systems that it has put in place together with the abovementioned internal controls are adequate and effective to address the key risks of the Group including information technology risk.
- (v) To strengthen its risk management processes and framework, the RMC was formed in 2011. Following the Disposal of the M&S business completed on 30 April 2021, Mr Guo has become the Non-Executive Chairman of the Board, and Ms Ge Cui Ping, the Chief Financial Officer of the Group, had resigned from the Group. As at the date of this report, the members of the RMC comprise Mr Ma Ming, Executive Director and Chief Executive Officer; Mr Yang Zheng, Lead Independent Director; Mr Tang Hao, Group Vice President; Ms Wang Hui, the Chief Financial Officer; and Ms Li Qingshuang, Group Assistant Vice President and the head of the Internal Control Department. The RMC shall meet no less than two (2) times a year and at other times as required.

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- (vi) The RMC performs the following key functions in accordance with its terms of reference:
- (a) evaluate and provide advice on the business risks (strategic, financial, operational 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 analyse material investments, financing and other operational management activities, and advise the Board; and
 - (e) any other functions as authorised by the Board.

The RMC is currently supported by the head of the Internal Control Department. Ms Zhang Ying, who is a lawyer, is the risk management secretary of the RMC. Based on the internal controls and risk management framework established, the team is responsible for supporting the RMC which includes the regular monitoring of risks and updating of the risk register as appropriate. It also carries out checking of operational and business areas as directed by Management ensuring that the Company has a comprehensive and sound risk management system that is operating as prescribed. Findings noted by them will be reported to the Management with any significant matters reported to the AC.

Audit Committee

Principle 10: The Board has an AC which discharges its duties objectively

- (i) The AC comprises three (3) Independent Non-Executive Directors, namely, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce and Mr Yang Zheng.

The Chairman of the AC, Mr Chin Sek Peng is, by profession, a public accountant and a Fellow Chartered Accountant (practising) of Singapore and a Fellow Member and Business and Finance Professional of the Institute of Chartered Accountants in England and Wales, and has worked in the accounting profession for almost 42 years. He is currently the Executive Chairman of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants in Singapore. 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 (3) Directors appointed by the Board, all of whom shall be Non-Executive Directors with the majority being Independent Directors. At least two (2) 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 (3) months of cessation so that the number of members does not fall below three (3).

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- (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 adequacy, effectiveness, 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 the 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 meets with the external auditors and internal auditors without the presence of the Management annually. The AC also meets with the external auditors to discuss matters relating to internal accounting controls as well as the results of their audit of the Group.
- (vi) The AC reviews, *inter alia*, the independence and objectivity of the external auditors annually, 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 Rules 712, Rule 715 and Rule 716 of the Listing Rules in relation to its auditors.
- (viii) The AC reads technical newsletters as appropriate and receives updates from the auditors during AC meetings, so as to keep abreast of changes in accounting standards and issues.
- (ix) No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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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 (such as email address and telephone contact) within the Group, including a direct channel to the AC, for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The Company has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that whistle-blowers will be protected from reprisal and detrimental or unfair treatment for whistle-blowing in good faith. The Company will treat all information received confidentially and protect the identity of all whistle-blowers. Reports can be lodged by calling the hotline at 0086-025-52798691 or via email at sunpower12345@163.com. The AC reviews and considers whistle-blowing complaints at its quarterly meetings to ensure independent, thorough investigation and appropriate follow-up actions. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. The AC is responsible for the overall oversight and monitoring of the whistle-blowing policy and its implementation.

AC Commentary on Key Audit Matter

The AC noted the Key Audit Matter (“KAM”) set out in the Independent Auditor’s report, namely the recognition of revenue, cost and intangible assets during the construction phase for GI projects based on percentage completion. As in the previous financial year, this KAM continued to be considered most significant by the Auditor largely because the amount is material and there is a high level of judgement and estimate involved. They are therefore subject to greater emphasis and scrutiny during the audit and was selected by the Auditor for communication with the AC.

The AC has discussed and reviewed the KAM with the Auditor and the Management and has provided its comments below:

	KAM involving significant judgements and estimates by Management	Matters considered by the AC	Conclusion by the AC
1	<p>Revenue, cost and intangible assets arising from Build-Operate-Transfer (“BOT”) projects <i>(Refer to Notes 3.2(a), 17 and 32 to the financial statements)</i></p>	<p>The Group has BOT projects which involve expenditure of costs during the construction phase to be recovered from operating the facilities and selling steam and electricity in future.</p> <p>The Group recognises revenue in accordance with SFRS(I) 15 <i>Revenue from Contracts with Customers</i>, namely revenue is recognised when (or as) the performance obligations are satisfied. Intangible assets arising from costs incurred during the construction phase which are projected to be recoverable during the operating period are recognised in accordance with SFRS(I) INT 12 <i>Service Concession Arrangements</i>.</p> <p>The AC discussed with Management and the Auditor on the significant judgements and estimates made in relation to:</p> <ul style="list-style-type: none"> (i) Projection of total revenue which can be billed to end users during the operating period; (ii) Evaluation of estimated profit margins for each of the construction and operating phases; (iii) Allocation of revenue between the construction and service elements of the project; and (iv) Recoverable amount of intangible assets which represent cost recoverable from future operations. 	<p>The AC is satisfied that the intangible assets and revenue recognised for BOT projects during the construction phase are in accordance with the guidance set out in SFRS(I) INT 12 <i>Service Concession Arrangements</i> and SFRS(I) 15 <i>Revenue from Contracts with Customers</i>.</p>

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Internal Audit

- (i) The Company engaged an external professional service firm, Nexia TS Risk Advisory Pte Ltd (“**Nexia TS**”), to perform internal audit review and test of controls of critical processes, based on the internal audit plan which is approved by the AC before the commencement of work each year.
- (ii) Nexia TS has unfettered access to all the Group’s documents, records, properties and personnel, and have unrestricted access to the AC.
- (iii) The AC reviewed the scope of internal audit work and the key audit procedures, including any findings from each review and the Management’s responses thereto; and ensured the adequacy of the internal audit function annually. Team members of Nexia TS comprised members of the Institute of Internal Auditors Singapore (“**IIA**”), a professional association for internal auditors which has its headquarters in the United States. The internal 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.

The internal audit is planned independently in consultation with the AC. The AC oversees the activities and work done by the internal auditors and ensures that the internal audit plans are aligned with the Group’s risk management programme. This is intended to assure that effective and efficient controls are in place to manage the risks in the Group.

The AC is satisfied that the internal audit function is adequately resourced.

Independent Committee

- (i) To strengthen its internal controls that safeguard the interests of the Company and its shareholders, the IC was formed in 2021 to review and approve the IPTs in accordance with the procedures under the IPT Mandate. The IC shall review all Mandated Transactions at least on a quarterly basis to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined in its terms of reference.
- (ii) The IC consists of the members of the AC (being as at the date of publication of the 2021 Annual Report, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce and Mr Yang Zheng) and Mr Wang Dao Fu, an Independent Non-Executive Director.
- (iii) The key terms of reference of the IC include the following:
 - (a) The IC shall consist of the members of the AC from time to time and such other member as may be appointed from the Board from time to time, all of whom shall be Non-Executive Directors with the majority being Independent Non-Executive Directors. At least two (2) members of the IC shall have accounting or related financial management expertise or experience.
 - (b) The Board shall appoint a new member within three (3) months of cessation so that the number of members does not fall below four (4).
- (iv) The IC performs, *inter alia*, the following key functions in accordance with its terms of reference and in compliance with the procedures under the IPT Mandate* and the Listing Rules:
 - (a) review and approve Mandated Transactions in relation to the entry into engineering, procurement and construction (“**EPC**”) contracts that relate to the provision of products and EPC services in order to construct the infrastructure of the Green Investment (“**GI**”) facilities with the Mandated Interested Persons, following the review and approval of the Group Chief Financial Officer (“**Group CFO**”) and the General Manager (“**GM**”) of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司);

* Note: The full procedures under the IPT Mandate can be referred to in the section of Interested Party Transactions.

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- (b) review and approve Mandated Transactions in relation to the entry into Utility Facility EPC Contracts with a value equal to or exceeding RMB10 million, following the review and approval of the Group CFO and the GM or the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司). The Utility Facility EPC Contracts relate to the provision of products such as pipeline or other smaller-scale equipment and the provision of EPC services relating to the installation, reforming and/or upgrading of such pipelines or other equipment for the GI facilities and each Utility Facility EPC Contract is subject to the Framework Agreement;
- (c) review and approve Mandated Transactions in relation to the lease of office buildings and/or facilities from the Mandated Interested Persons following the review and approval of the Group CFO and the Group Head of Internal Control;
- (d) observe or oversee the administration of procedures of Mandated Transactions according to the IPT Mandate approved by non-interested shareholders; and
- (e) review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Group and the Mandated Interested Persons are conducted at arm's length and on normal commercial terms.

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 or the IC (as the case may be, depending on whether the interested person transactions fall within the ambit of the IPT Mandate (as defined below)) and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its non-controlling shareholders.

As Mr Guo and Mr Ma Ming are both interested persons, any transaction by the Company or any of its subsidiaries with Mr Guo and Mr Ma Ming or any of their respective associates (“**Mandated Interested Persons**”) will be regarded as an interested person transaction (“**IPT**”) under Chapter 9 of the Listing Manual following the Disposal of the M&S business completed on 30 April 2021.

To ensure that Mandated Transactions with Mandated Interested Persons are undertaken at (a) arm's length and on normal commercial terms consistent with the Group's usual business practices and on terms which are not more favourable than those extended to unrelated third parties; or (b) in any event, on terms no less favourable to the Group than prevailing open market rates, and will not be prejudicial to the interests of the Group and its minority shareholders, the Group adopted the following procedures for the review and approval of Mandated Transactions under the Shareholders' Mandate for Interested Person Transactions (the “**IPT Mandate**”) as approved by shareholders on 16 April 2021.

- (a) The following procedures have been adopted in relation to the entry into EPC Contracts for the construction of GI facilities with Mandated Interested Persons:
 - (i) The entry into such EPC Contracts will be determined via a tender, with quotations from at least three (3) bidders, of which at least two (2) are unrelated third parties. The Group will only enter into contracts with the Mandated Interested Persons if the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) (who must each have no interest, direct or indirect, in the transaction) are satisfied that their rates or prices are not higher than the most competitive third party quote for similar products or comparable services, taking into account all relevant factors.

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- (ii) If competing quotes from unrelated third party bidders cannot be obtained, the Group will obtain two (2) recent contracts (if possible or available) between the Mandated Interested Persons and their unrelated third party customers for the same or substantially similar products and/or services, prior to the entry into contracts or transactions with the Mandated Interested Persons, to compare whether the prices and terms are fair and reasonable, and comparable to those offered to the unrelated third party customers. The Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) (who must each have no interest, direct or indirect, in the transaction) will determine whether the prices and terms are fair and reasonable and in accordance with the usual business practices and pricing policies or industry norms, taking into account all relevant factors.
 - (iii) Upon satisfactory review by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), the entry into EPC Contracts will be subject to prior approval by the IC, who must each not have any interest, direct or indirect, in the transaction.
- (b) The following procedures have been adopted in relation to the provision of Utility Facilities EPC Contracts which are generally contracts of a relatively smaller transaction value by Mandated Interested Persons:
- (i) Each Utility Facilities EPC Contracts will be subject to a Framework Agreement which, regardless of value, shall be jointly reviewed by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) (who must each not have any interest, direct or indirect, in the transaction). Each Framework Agreement shall specify (1) prescribed standards for construction works and their review and acceptance; (2) construction cost basis of computation, including pricing of raw materials and construction works; and (3) pricing mechanism, which shall be within the range indicated in the benchmark analysis report.
 - (ii) A benchmark analysis report will be issued by an independent professional firm (which will be a reputable firm with necessary experience, track record and professional certifications and qualifications to undertake the benchmark analysis report, as determined by the IC) and attached as part of the review and approval of the Utility Facilities EPC Contracts. This report will be updated annually and will state the gross margin guidance for such IPTs, taking into account all relevant factors.
- The Group will only enter into such Utility Facilities EPC Contracts with Mandated Interested Persons if the relevant persons reviewing the transaction as set out in Paragraphs (b)(iii) and (b)(iv) below (who must each have no interest, direct or indirect in the transaction) have reviewed and are satisfied that their price and rate is not higher than the gross margin guidance stated in the benchmark analysis report.
- (iii) Each Utility Facilities EPC Contract below RMB10 million in value shall be reviewed by the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), who must not have any interest, direct or indirect, in the transaction. Upon satisfactory review by the Deputy GM, the entry into such contracts will be subject to prior approval by the Group CFO and the GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), who must each not have any interest, direct or indirect, in the transaction.
 - (iv) Each Utility Facilities EPC Contract equal to or exceeding RMB10 million in value shall be jointly reviewed by (1) the Group CFO and (2) the GM or the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司), who must each not have any interest, direct or indirect, in the transaction. Upon satisfactory review, the entry into such Mandated Transactions will be approved by the IC, who must each not have any interest, direct or indirect, in the transaction.

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- (c) The following procedures will be adopted in relation to the lease of office buildings and/or facilities from Mandated Interested Persons:
- (i) The rent payable to the Mandated Interested Persons shall be at an annual rent no higher than the prevailing market rent as supported by an independent report issued by an independent firm with the relevant track record or experience, no more than two (2) months prior to the lease and/or the renewal of the lease, with the report cost borne by the Group.
 - (ii) Each lease shall be jointly reviewed by (1) the Group CFO and (2) the Group Head of Internal Control, who must each not have any interest, direct or indirect, in the transaction. Upon satisfactory review, the entry into such Mandated Transactions will be subject to prior approval by the IC, who must each not have any interest, direct or indirect, in the transaction.
 - (iii) The Group will only enter into the leases if the relevant persons reviewing the transaction as set out in Paragraph (c)(ii) above (who must each have no interest, direct or indirect in the transaction) are satisfied that the rent payable is in line with or better than prevailing market rental rates for comparable properties, taking into account factors such as the geographical location, facilities and other relevant factors that may affect rental rates or terms of the lease.
- (d) In the event that a member of the IC has an interest in a Mandated Transaction, or is a nominee of the Mandated Interested Person, or if he also serves as an independent non-executive director on the board or an audit or other board committee of the Mandated Interested Person, and he participates in the review and approval process of the IC in relation to a transaction with that Mandated Interested Person, or if any associate (as defined in the Listing Manual) of a member of the IC is involved in the decision-making process on the part of the Mandated Interested Person, he shall abstain from participating in the review and approval process of the IC in relation to that transaction.
- (e) If the Group CFO, the GM and/or the Deputy GM of Jiangsu Sunpower Clean Energy Co., Ltd. (江苏中圣清洁能源有限公司) and/or the Group Head of Internal Control has an interest in a Mandated Transaction, or is a nominee of the Mandated Interested Person, such person shall abstain from reviewing and approving that transaction and the Company shall, subject to the approval of the IC, recommend another Group officer of an equivalent rank (who must not have any interest, direct or indirect, in the transaction) to review and/or approve the Mandated Transaction.

Any transaction under the IPT Mandate shall only be approved if the transactions are at arm's length and on normal commercial terms, in accordance with the guidelines and review procedures in this section, and the basis of the transactions are documented in the IPT Register (as defined below), with supporting documents.

In addition to the guidelines and review procedures above, the Group has implemented the following additional guidelines and review procedures to ensure that the Mandated Transactions under the IPT Mandate are at arm's length basis and on normal commercial terms:

- (a) A register is being maintained to record the list of interested persons and their associates (to be updated immediately on any changes). The list shall be reviewed every quarter by the Group CFO and subject to verifications or declarations as required by the IC. This list shall be disseminated to any Group staff that the Group's finance team considers relevant for the purposes of entering into transactions under the IPT Mandate.
- (b) A register is being maintained to record all IPTs (including the Mandated Transactions) with interested persons (including the Mandated Interested Persons) (including the bases on which the IPTs are entered into, amount and nature) (the "IPT Register") by the Group's finance team, which shall be reviewed by the Group CFO every month.

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- (c) The IC shall review all Mandated Transactions at least every quarter to ensure they are on normal commercial terms and in accordance with the procedures above. Such reviews include the examination of the transaction and supporting documents or such data deemed necessary by the IC. All relevant non-quantitative factors will also be taken into account. The IC shall, when it deems fit, request for additional information from independent sources, advisers or valuers, and/or require the appointment of an independent professional firm to provide additional review of the internal control procedures and review procedures and their implementation pertaining to IPTs (including the Mandated Transactions) under review and to report to the IC every quarter.
- (d) The IC shall also review, from time to time, guidelines and procedures for adequacy and/or commercial practicability to ensure that IPTs are at arm's length and on normal commercial terms. If the IC views the procedures as no longer appropriate or insufficient or if there are changes to the nature of, or manner in which, the business activities of the Group or the Mandated Interested Persons are conducted, it will take actions deemed proper in respect of such procedures and guidelines and/or modify or implement them to ensure the Mandated Transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, and the Company will seek a fresh general mandate based on new internal control procedures and review procedures so that Mandated Transactions will be carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. If there is no fresh mandate, any IPT will be entered into in accordance with the requirements under Chapter 9 of the Listing Manual (including Rule 905 and Rule 906). In addition, the IC will review every Mandated Transaction pending the fresh mandate to provide an additional safeguards.
- (e) The Board will ensure that all disclosure, approval and other requirements on IPTs, including those required by prevailing legislation, the Listing Manual (in particular, Chapter 9 thereof) and relevant accounting standards, are complied with. The Company will endeavour to comply with the recommendations of the Code.
- (f) The Group will incorporate a review of IPTs in its annual internal audit plan. The internal auditors will review the IPTs annually to ensure that, amongst other things, relevant approvals have been obtained and the guidelines and review procedures have been adhered to. They will report their findings to the IC.

All other IPTs not subject to the IPT Mandate will be reviewed and approved in accordance with the threshold limits in Chapter 9 of the Listing Manual, to ensure normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. If such IPTs require the Board and the AC's approval, the relevant information will be submitted to them for review. If such transactions require shareholder approval, additional information may be required to be presented and an independent financial adviser may be appointed for an opinion.

The AC will review all IPTs quarterly to ensure that the prevailing SGX-ST rules and regulations (in particular, Chapter 9 of the Listing Manual) are complied with.

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The aggregate value of transactions entered into by the Group with interested persons under the IPT Mandate as defined in the SGX-ST Listing Manual for FY2021 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs for the period from 30 April 2021 to 31 December 2021 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) ⁽¹⁾	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 for the period from 30 April 2021 to 31 December 2021 (excluding transactions less than \$100,000) ⁽¹⁾
		RMB'000	RMB'000
Jiangsu Sunpower Technology Co., Ltd.			
• Lease of office buildings	Associate of controlling shareholders	–	1,276
• Fee received for providing catering services in staff canteen	Associate of controlling shareholders	47	–
Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd.			
• Fee received for providing catering services in staff canteen	Associate of controlling shareholders	1,841	–
Sunpower Technology (Jiangsu) Co., Ltd.			
• Fee received for providing catering services in staff canteen	Associate of controlling shareholders	1,204	–
Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.			
• Fee received for providing catering services in staff canteen	Associate of controlling shareholders	137	–
Nanjing Shengnuo Heat Pipe Co., Ltd.			
• Fee received for providing catering services in staff canteen	Associate of controlling shareholders	4	–

Note:

(1) For the avoidance of doubt, interested person transactions pertain to transactions performed under agreements entered into between the M&S group of companies and the Group after 30 April 2021, being the date of completion of the M&S disposal.

The Company intends to seek a renewal of the Shareholders' Mandate for Interested Person Transactions at a special general meeting (SGM) to be held on the same day as the forthcoming AGM.

The Board is of the view that the transactions above were not prejudicial to the interest of the Group or the Company's minority shareholders.

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4. SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects

- (i) 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 results announcement to the AC for review and after the review, the AC recommends the financial results announcement to the Board for approval before being released. If required, the Group's external auditors' views will be sought. The Board ensures that all relevant regulatory compliance requirements 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.
- (ii) 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.
- (iii) In line with the Listing Rules, the Board provides an assurance statement to the shareholders in respect of the interim financial statements. The Management maintains regular contact and communication with the Board through 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.
- (iv) 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 (1) or two (2) 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.
- (v) 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.
- (vi) All resolutions tabled at the general meetings are voted by poll for which the procedures are clearly explained by the scrutineers. The voting results of each resolutions tabled are announced at the meeting and in an announcement released after the meeting to the SGX-ST via SGXNet.
- (vii) The resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are in single item resolutions.
- (viii) The Company Secretaries prepare minutes of general meetings that include comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management, and are made available to shareholders upon their request.
- (ix) The Company has not implemented electronic voting with a voting device at general meetings following a cost/benefit review but will consider implementing it in future if electronic voting if the benefits outweigh the costs.

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(x) The attendance of each Director at general meetings held in FY2021 is set out as follows:

	Special General Meeting (16 April 2021)	AGM (28 April 2021)	Special General Meeting (19 May 2021)	Special General Meeting (19 May 2021)
	Attended	Attended	Attended	Attended
Guo Hong Xin	✓	✓	✓	✓
Ma Ming	✓	✓	✓	✓
Lau Ping Sum Pearce	✓	✓	✓	✓
Chin Sek Peng	✓	✓	✓	✓
Li Lei	✓	✓	✓	✓
Liu Haifeng David	✓	✓	✓	✓
Yang Zheng	✓	✓	✓	✓
Wang Dao Fu	✓	✓	✓	✓

(xi) The Company treats shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company releases resolutions passed at shareholders' meetings through SGXNet together with the breakdown of all valid votes cast at the meeting as soon as practicable. The Company shall disclose or publish the minutes of general meetings of shareholders on its corporate website.

(xii) The Group does not have a fixed dividend policy at present. However, the Company has distributed dividends every year since FY2010. In 2021, it declared and paid a special dividend of RMB1.1627 (S\$0.2412) per share from the net proceeds of the Disposal of the M&S business. As the Company sees opportunities to develop promising projects in the GI business with the potential to provide income flows in the future, its focus will be on a long-term development path that targets long-term returns for shareholders.

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company

(i) The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the Listing Rules.

(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 research analysts;
- notices of annual general meetings; and
- the Company's corporate website <http://www.sunpowergroup.com.cn> and investor relations website <http://sunpower.listedcompany.com> which shareholders can use to access information on the Group.

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- (iii) 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.
- (iv) 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.
- (v) The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests.
- (vi) 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 a timely basis.

5. MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served

- (i) The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups and discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period in its sustainability report that is released separately from its Annual Report.
- (ii) The Company has its own corporate website and updates it on a timely basis to communicate and engage with stakeholders. In addition, the Company has established diverse communication channels to proactively communicate and engage with its stakeholders as introduced in the Company's Sustainability Report. For further details, please refer to the Company's Sustainability Report.

6. 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 (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of the financial year and one (1) 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 FY2021.

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7. MATERIAL CONTRACTS

(Rule 1207(8) of the Listing Manual)

Save for the service agreements between the Executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting at the end of FY2021.

8. USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 3 March 2017, the Company completed the issuance of first tranche convertible bonds of an aggregate principal amount of US\$110 million ("**Tranche 1 Convertible Bonds**" or "**CB1s**"), which are convertible into fully paid ordinary shares in the capital of the Company to Glory Sky Vision Limited ("**Glory Sky**"), ultimately indirectly and beneficially owned by CDH Fund V, L.P. ("**CDH**").

On 10 January 2018, Glory Sky transferred US\$60 million in principal amount of CB1s to three (3) distinct entities of DCP Capital Partners L.P. ("**DCP**"). As a result of the transfer, Glory Sky now holds US\$50 million of CB1, while Blue Starry Energy Limited ("**Blue Starry**"), Green Hawaii Air Limited and Alpha Keen Limited (each a wholly-owned subsidiary of DCP) each holds US\$46,000,815, US\$2,999,185 and US\$11,000,000 of CB1 respectively, or US\$60 million collectively.

On 6 September 2018, the Company obtained shareholders' approval for the issuance of a second tranche of convertible bonds of an aggregate principal amount of US\$70 million ("**Tranche 2 Convertible Bonds**" or "**CB2**") and warrants exercisable at an aggregate amount of US\$30 million (the "**Warrants**" or the "**Warrant Shares**") to DCP and CDH (each an "**Investor**" and collectively, the "**Investors**") to fund the GI related business of the Company. Subsequently, the Company completed the issuance of CB2 with an aggregate principal amount of US\$20 million on 15 October 2018 and completed the issuance of 57,625,714 Warrants on 21 December 2018. As at 31 December 2020, all the Warrants expired unexercised, and all 57,625,714 Warrants have lapsed and ceased to be valid for any purpose.

On 31 December 2020, the Company and the Investors entered into an amendment agreement (the "**Amendment Agreement**"), in connection with the Disposal, to amend certain terms of the purchase agreements of the CB1s and CB2s. The Amendment Agreement confirms that the aggregate principal amount of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds issued as at the date of the Amendment Agreement is US\$130 million, and proposes to extend the maturity date of the CBs by one (1) year to 3 March 2023.

The net proceeds raised from CB1 is approximately US\$106.2 million after deducting transaction expenses of US\$3.8 million, while expected net proceeds from the issuance of CB2 will be approximately US\$67.6 million following the full issuance of CB2 to the investors, after deducting transaction expenses of approximately US\$2.4 million.

The net proceeds have been and will be utilised for the expansion and further investment into GI business, including by way of BOT/BOO/TOT models of centralised steam and electricity projects and other environmental protection related projects.

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As of 31 January 2022, the Company has utilised an aggregate of US\$123.8 million of the net proceeds from CBs as per the schedule below.

Project	Use of Convertible Bonds Proceeds	Amount
Shantou	Project construction and equipment procurement	US\$ 20.4 million (approximately RMB132.6 million)
Liutuan	Registered capital	US\$ 0.8 million (approximately RMB5.2 million)
Jining JVC	Installation of steam distribution pipeline	US\$ 1.6 million (approximately RMB10.3 million)
Xinjiang	Registered capital	US\$ 1.4 million (approximately RMB9.0 million)
Yingtang ⁽¹⁾	Registered capital	US\$ 0.1 million (approximately RMB0.5 million)
Shandong Yangguang Institute	Purchase consideration of the acquisition	US\$ 4.3 million (approximately RMB28.0 million)
Xinyuan Thermal Power	Purchase consideration of the acquisition	US\$ 13.1 million (approximately RMB85.0 million)
Xintai Zhengda Thermolectric	Purchase consideration of the acquisition and construction of new facilities	US\$ 22.0 million (approximately RMB145.0 million)
Yongxing Thermal Power	Purchase consideration of the acquisition	US\$ 50.2 million (approximately RMB325.5 million)
General	Administrative and general expenses for business expansion of Green Investment related business	US\$ 9.9 million (approximately RMB64.6 million) ⁽²⁾
Total Convertible Bonds Proceeds utilised		US\$ 123.8 million (approximately RMB805.7 million)

*** Note:**

- (1) Yingtang Sunpower Clean Energy Co., Ltd. was cancelled after the comprehensive evaluation of the Company.
- (2) It consists of (a) RMB42.7 million of remuneration for the development and management teams of GI; (b) RMB20.3 million of pre-development expenses of GI projects, such as costs expended for pre-investment due diligence activities, including project inspection, valuation and audit fees, communication costs and travel expenses etc; (c) RMB1.5 million of purchase of fixed assets for development teams of GI business; (d) RMB0.1 million of stamp duties for applicable GI transactions.
- (3) The exchange rate is based on the actual settlement conditions.

Each of the above utilisation of the proceeds from the Convertible Bonds is consistent with the intended use as disclosed in the Company's circular to shareholders dated 13 February 2017 and 21 August 2018.

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9. USE OF PROCEEDS FROM M&S DISPOSAL

The Company announced the proposed disposal of the M&S business on 31 December 2020. On 16 April 2021, the proposed disposal was approved by shareholders of the Company at a Special General Meeting.

On 21 May 2021 and 2 July 2021, the Company announced that it has received the Tranche 1 and Tranche 2 Consideration of RMB 1,603.0 million and RMB 687.0 million respectively, for an aggregate amount of RMB 2,290.0 million. After accounting for the expenses incurred by the Company in connection with the disposal, including capital gains tax and stamp duties, of RMB 208.9 million and project adviser fees of RMB 56.7 million, the net proceeds from the proposed disposal of the M&S were RMB 2,024.4 million.

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the circular to shareholders dated 3 May 2021.

As of 31 January 2022	Use of Proceeds (RMB'000)
Shareholders' Special Dividend	(925,145) ⁽¹⁾
Bondholder's Special Dividend	(403,315) ⁽¹⁾⁽²⁾
Changrun Project - used for the acquisition of a 25-year exclusive right to supply steam to Sanli	(100,000)
Progress payment for construction of Shanxi Xinjiang Project	(64,652)
Progress payment for construction of Tongshan Project	(20,176)
Progress payment for construction of Xintai new plant	(95,464)
Pipeline construction for Xintai, Changrun Projects	(37,157)
Feedstock procurement for operation	(9,943)
Construction costs due	(104,922)
Subtotal of net disposal proceeds used	(1,760,774)
Use of Proceeds balance	263,680

Note:

- (1) On 18 June 2021 and 21 July 2021, a Special Dividends of RMB 925.1 million and RMB 403.3 million was paid to the shareholders and bondholders of the Company respectively.
- (2) Based on the actual exchange rate utilised by the Company to exchange RMB into USD.

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10. USE OF PROCEEDS FROM PLACEMENT OF TREASURY SHARES

Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the Company's circular to its shareholders dated 3 May 2021 (the "Circular").

On 19 May 2021, the shareholders in a Special General Meeting approved the proposed placement of 2,542,000 treasury shares (the "**Placement Shares**") to the Placees at a price of S\$0.368 for each Placement Share, on and subject to the terms of the Placement Letters (the "**Proposed Placement**"), as stated in the Circular.

On 1 June 2021, the Company allotted and issued a total of 2,542,000 treasury shares, being the aggregate number of Placement Shares, to the Placees in the proportion set out in Paragraph 2.4 of the Circular.

The gross proceeds arising from the Proposed Placement are S\$935,456.00, while the amount of actual net proceeds from the Proposed Placement are S\$845,096.37 (the "**Net Proceeds**"), after deducting expenses of S\$90,359.63 comprising (a) legal and regulatory fees and (b) miscellaneous expenses.

The Company intends to use all of the Net Proceeds for its general working capital purposes, such as the procurement of raw materials required for operation of GI plants. As at 31 January 2022, the Net Proceeds have not been used.