SUNPOWER GROUP LTD.

SECURED RMB817 MILLION HAZE TREATMENT PROJECT, TO BUILD-OPERATE-OWNED ("BOO")/BUILD-OPERATE-TRANSFER ("BOT") [1] CENTRALISED STEAM AND ELECTRICITY FACILITY WITH ULTRA-LOW CARBON AND POLLUTION EMISSION IN AN INDUSTRIAL PARK IN HEBEI PROVINCE, CHINA

*Unless otherwise defined, capitalised terms used in this announcement shall bear the same meaning as ascribed to them in the circular ("**Circular**") dated 20 November 2015 issued by the Company to its shareholders relating to, inter alia, the proposed placement ("**Placement**") of up to 400,000,000 new ordinary shares in the capital of the Company.*

1. GROWTH AND RECURRING INCOME

1.1 Sunpower Group Ltd. ("Sunpower" or the "Company") which is in the business of an one-stop solution provider for energy savings and recovery, waste-to-energy and renewable energy projects and manufacturing of energy conservation products with more than 120 registered patents in China is pleased to announce that it has successfully secured a contract to build a centralised steam and electricity facility with ultra-low carbon emission (the "Facility") and thereafter, to operate the Facility in the Gaoyang Circular Economy Industrial Park (the "Industrial Park") in Hebei, China (the "Changrun Project"). The total investment size is estimated to be about RMB817 million (approximately S$178 million, at an exchange rate of RMB4.59 : S$1), comprising (i) the acquisition of the entire registered capital of Hebei Changrun Environmental Ltd, a PRC incorporated investment holding company which owns the construction licence, at a purchase consideration of RMB 29 million, The Purchase Amount was arrived at on a willing-buyer, willing-seller basis and the valuation of Hebei Changrun Environmental Ltd is about RMB 30.21 million. The Acquisition was entered into in the ordinary course of business of the Company, and (ii) the construction cost of the Facility including the construction completed by the seller as well as a network of heat distribution pipelines, amounting to approximately RMB817 million. This will be funded by the net proceeds from the Placement in December 2015, bank loans and internal resources.

1.2 Sunpower's previous key projects include customised Zero Liquid Discharge system, flare gas recovery system and sulphur recovery system. Customers of the Company include well-known international customers such as BASF, Shell, Dow Chemical, BP, SABIC, Alcoa, and Mobil, and Chinese conglomerates such as Sinopec, CNOOC, CNPC and ChemChina.

1.3 The Company had in the Circular to shareholders dated 20 November 2015, announced that it is evaluating various environmental projects in China, which may include environmental related engineering, procurement and construction, as well as build-operate-transfer ("BOT"), build-owned-operate and/or transfer-operate-transfer projects. The Company intends to generate **recurring income** from BOT, BOO and transfer-operate-transfer ("TOT") of environmental

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1 The Facility will be owned and operated by Sunpower after the construction is completed. The Facility is located on land with land use rights of 50 years and thereafter subject to renewal of tenure based on mutual agreement between the parties.

Concurrently, we are in the midst of negotiation with the local PRC authority to transfer the Facility to the authority after the end of 30 years (the "Concession"). Upon signing of the Concession, the Changrun Project will be a build-operate-transfer ("BOT") project.

projects with long-term concession that will **provide stable and recurring cash flow which will enhance the quality of the Company's earnings and shareholder value**.

2. CHANGRUN PROJECT

2.1 The Industrial Park is within one of the 18 County-level Circular Economy Pilot Zones in China, adopting the circular economy model initiated by National Development and Reform Commission ("NDRC"). The Industrial Park is located in Gaoyang County, Baoding City, Hebei province, China, (approximately 150 km southwest of Beijing) and the manufacturing plants in Gaoyang County provide about 33% of China's total production of towels and carpets[2].

2.2 Currently, almost each manufacturing plant in the Industrial Park is dependent on steam generated from self-owned, small coal-fired boilers that are highly energy inefficient and very pollutive with high carbon and pollution emissions. The Chinese government has already issued directives for the closure of these small (less than 35 tonnes steam per hour per boiler) and pollutive coal-fired boilers aiming to reduce carbon emissions and improve air quality[3].

The Facility will supply steam to about 70 manufacturing plants in Gaoyang County through heat distribution pipelines[4]. The Facility will comprise two boilers with each steam generation capacity of 220 tons per hour. It also comprises two electricity generation facilities, each generating 25 megawatts per hour. The Facility will supply electricity to the industrial users within the Industrial Park at rates cheaper than the National Grid. The excess electricity generated will be supplied to the National Grid.

In the Industrial Park, there is a 200,000-ton (daily treatment capacity) wastewater treatment facility that generates treated wastewater and approximately 400 tons of sludge daily. The Facility will combine the sludge from the wastewater treatment facility with coal as feedstock to generate heat and electricity, thereby significantly reducing consumption of coal. The Facility will also reuse the treated wastewater from the waste water treatment facility to generate steam to supply to the manufacturing plants in Gaoyang County.

2.3 The maiden BOO/BOT project secured as afore-mentioned, together with Sunpower's EPC track record and proprietary know-how in the energy savings and recovery, waste-to-energy sector, the Company believes that it is well positioned to procure more such projects in China where more Circular Economy model projects and centralized steam projects are expected to be introduced nationwide over the next few years to cut carbon emissions, improve air quality and enhance resource efficiency.

2.4 The Changrun Project is not expected to have a material impact on the net tangible assets per share and earnings per share of the Company and the Group for the financial year ending 31 December 2015.

2.5 None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Changrun Project.

3. CHINA FACES SEVERE ENVIRONMENTAL THREATS AND USES CIRCULAR ECONOMY MODEL (循环经济) TO ENHANCE RESOURCE EFFICIENCY AND REDUCE POLLUTION

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[2] Sourcing: http://www.chinanews.com/df/2015/03-17/7133997.shtml

[3] Sourcing: 《燃煤锅炉节能环保综合提升工程实施方案》 issued by NDRC together with other six ministries and commissions of China.

[4] Based on results of the due diligence carried out by a professional firm.

3.1 China is facing severe environmental threats and serious resource challenges, from smog-filled cities to dried-up rivers as a result of its rapid industrialisation in recent decades. Numerous cities and in particular, Beijing has been shrouded by its heavy smogs and hazardous air quality with dangerous and cancer-linked pollutants such as PM2.5, carbon dioxide, nitrogen, sulphur oxide, phosphorus. One of the key causes is the high carbon emission by the industrial sector from using coal as an energy source.

3.2 As China's demand for resources and coal energy remains unabated, the Chinese government has introduced laws and policies to pursue a sustainable economic model such as the circular economy, which encourages the recycling and reuse of waste resources and incentives for ultra-low carbon emission. One such application of circular economy in industrial parks is to shift from a narrow vision of water and solid waste treatment, to the broader vision of a closed-loop material flows at all stages. As an illustration, the sludge is combined with coal to generate heat and electricity with ultra-low carbon and pollution emission to improve air quality and treated wastewater in eco-industrial park is reused to generate steam and enhance the efficiency of resource usage.

BY ORDER OF THE BOARD

Mr Ma Ming
Executive Director
23 December 2015