

# SUNPOWER GROUP LTD.

Corporate Presentation  
February 2017

# Agenda



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**Executive Summary**

2

**Business Overview**

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**Growth Opportunities**

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**Competitive Advantages**

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**Financial Performance**

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**Future Plans**

- ❑ We are repositioning as an **environmental protection services provider** to capitalize on the enormous market opportunity in the anti-smog services sector in China
- ❑ We believe there is an **enormous market opportunity** in years to come and we are among **the first movers**
- ❑ Our past experiences in environmental protection services make us **unique and competitive**
- ❑ We benefit from an **experienced management team** with **operational excellence and discipline**
- ❑ We have **CDH** as a **strategic value-added** investor who will not only inject capital but also provide institutional support for our long-term growth
- ❑ We have early success in our existing **Green Investment (“GI”)** projects and have developed a **robust pipeline** which we believe will enhance shareholder value in years to come
- ❑ These projects are expected to generate **good return on investments** and **recurring earnings** over the long term
- ❑ We are excited about the long-term prospects of our business and we believe **management’s interests are fully aligned with shareholders**

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# Business Overview - 3 Main Business Segments

- ❑ Established in 1997, listed on SGX since 2005
- ❑ > 20 years of extensive experiences in environmental protection services
- ❑ Strong R&D capabilities, proprietary technology know-how with more than 120 patents
- ❑ In-depth knowledge of environmental protection and energy saving & recovery in China
- ❑ EEM & EPC: Reputable global client base with around 70% repeat clients including BP, BASF, SABIC, Dow, Shell, Bayer, Dupont, Exxon Mobil, CNPC, Sinopec, CNOOC, ChemChina, CREC, Shenhua Group, GCL etc
- ❑ GI: Expected to generate recurring income over 20-30 years on exclusive concessions





## Stable Profit & Cash Flow






## Future Growth Driver

### Environmental Equipment Manufacturing (“EEM”)

### EPC Integrated Solutions (“EPC”)

### Green Investment (“GI”)

Main Products		Major Clients	
High Efficient Heat Exchangers and Pressure Vessels		<ul style="list-style-type: none"> <li>• Petrochemical</li> <li>• Chemical</li> <li>• Oil Gas</li> <li>• Coal Industry</li> <li>• Clean Energy (Polysilicon, LNG)</li> </ul>	
Pipeline Energy Saving Products		<ul style="list-style-type: none"> <li>• Pharmacy</li> <li>• Paper Pulp</li> <li>• Mining</li> <li>• Oil Sand</li> </ul>	
Heat Pipes and Heat Pipe Exchangers			

Main Products		Major Clients	
Flare & Flare Gas Recovery System		<ul style="list-style-type: none"> <li>• Petrochemical</li> <li>• Coal Chemical</li> <li>• Natural Gas</li> <li>• Metallurgy</li> <li>• Refinery</li> <li>• Power Plant</li> <li>• Paper Pulp</li> <li>• Steel</li> <li>• Oil Sand</li> </ul>	
Desulphurization & Denitrification System			
High Salinity Wastewater System (ZLD)			
Petrochemical Engineering			

Main Products	Major Clients
Centralised Steam & Electricity Facilities	<ul style="list-style-type: none"> <li>• Textile</li> <li>• Textile Printing</li> <li>• Food</li> <li>• Paint Industry</li> <li>• Pharmacy</li> <li>• Chemical</li> <li>• Petrochemical</li> <li>• Industrial</li> </ul>
	

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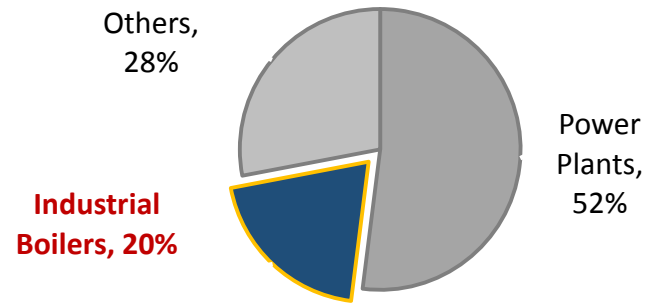
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**Future Plans**

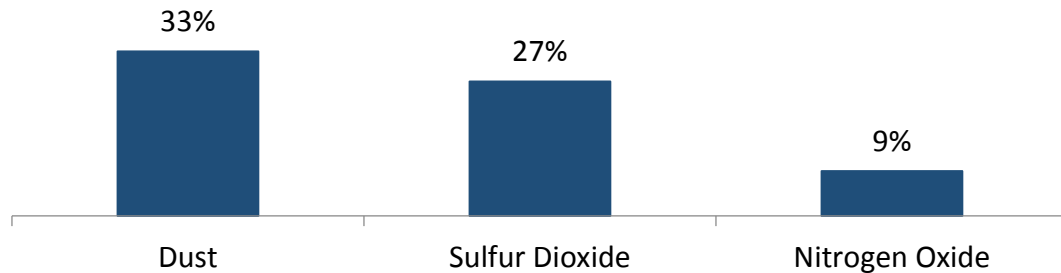
# Our New Growth Opportunity: Coal-fired Industrial Boilers Control is Imminent

## Industrial Boilers : Major Source of Pollutant Emission

Coal Consumption Breakdown in China (2013)



% of Annual Pollutant Emission by Industrial Boilers<sup>1</sup>



**“During the week from 16 Dec 2016, smog covered nearly 1/5 of China’s territory. At its worst, more than 100 cities had smog with pm2.5>200”**

Source: Research Report of Central Heating Industry by Great Wall Securities 2015.03  
Implementation of Coal Fired Boiler’s Energy Saving and Environmental Protection Scheme  
issued by the National Development and Reform Commission (NDRC) of the PRC (2014)

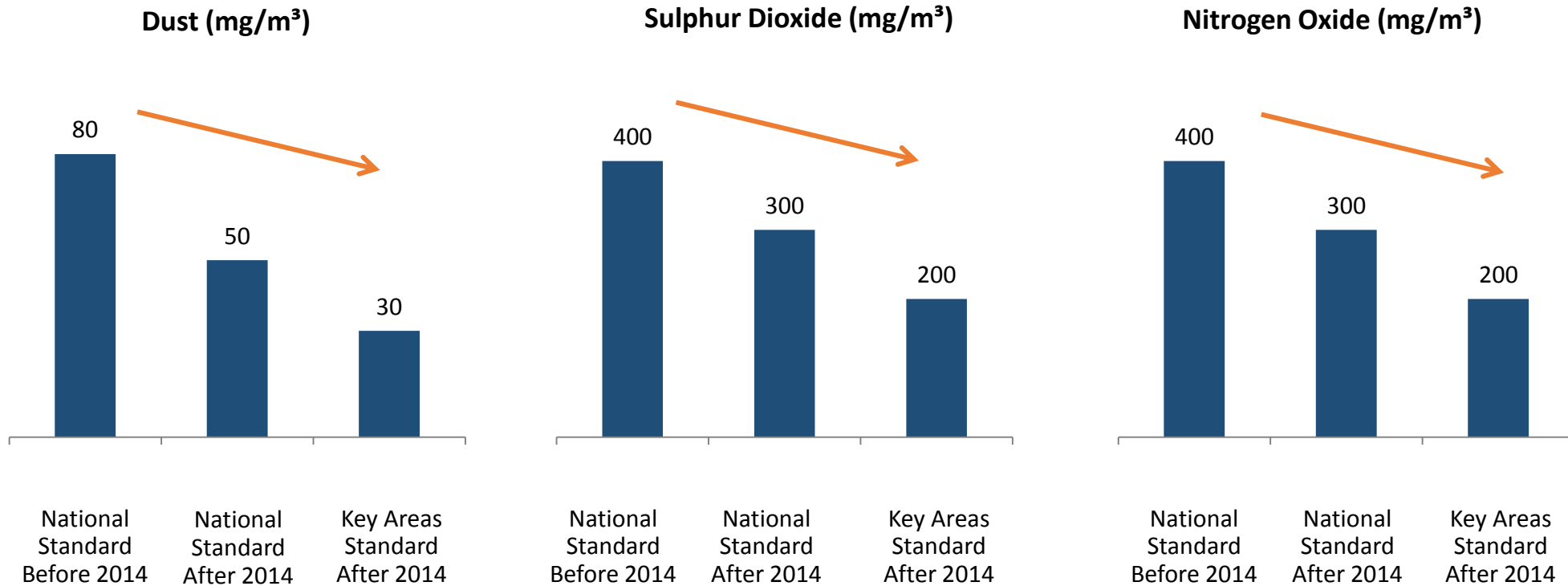
Note 1: data as of 2012

## Problems of Small Coal-Fired Boilers

- No emission control and highly pollutive
- Inefficient coal usage
- Low safety standards



# Therefore PRC Government has Promulgated Stricter Emission Standards for Coal-fired Industrial Boilers



Source: Emission standard of air pollutants for boiler issued by Ministry of Environmental Protection of PRC



# This Represents RMB 500Bn of Investible Market Opportunities to Replace Small Coal-fired Boilers by 2018



Source: Note1,2 Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme; Clean and Efficient Use of Coal Action Plan (2015-2020)

Note3,4,5 : Company's estimate

## Notes:

- By 2018, eliminate 400,000 tons of obsolete coal-fired boilers.<sup>1</sup>
- By 2020, eliminate 600,000 tons of obsolete coal-fired boilers.<sup>2</sup>
- Assuming an replacement cost of RMB1.25 million<sup>3</sup> for 1 ton/h steam gives rise to a total investible market of of RMB 500bn by 2018 & 750bn by 2020.
- Assuming steam price of RMB200/ton<sup>4</sup> and based on 7200 production hours<sup>5</sup> per year, total annual potential recurring income generated is expected to be RMB576bn by 2018 & 864bn by 2020.

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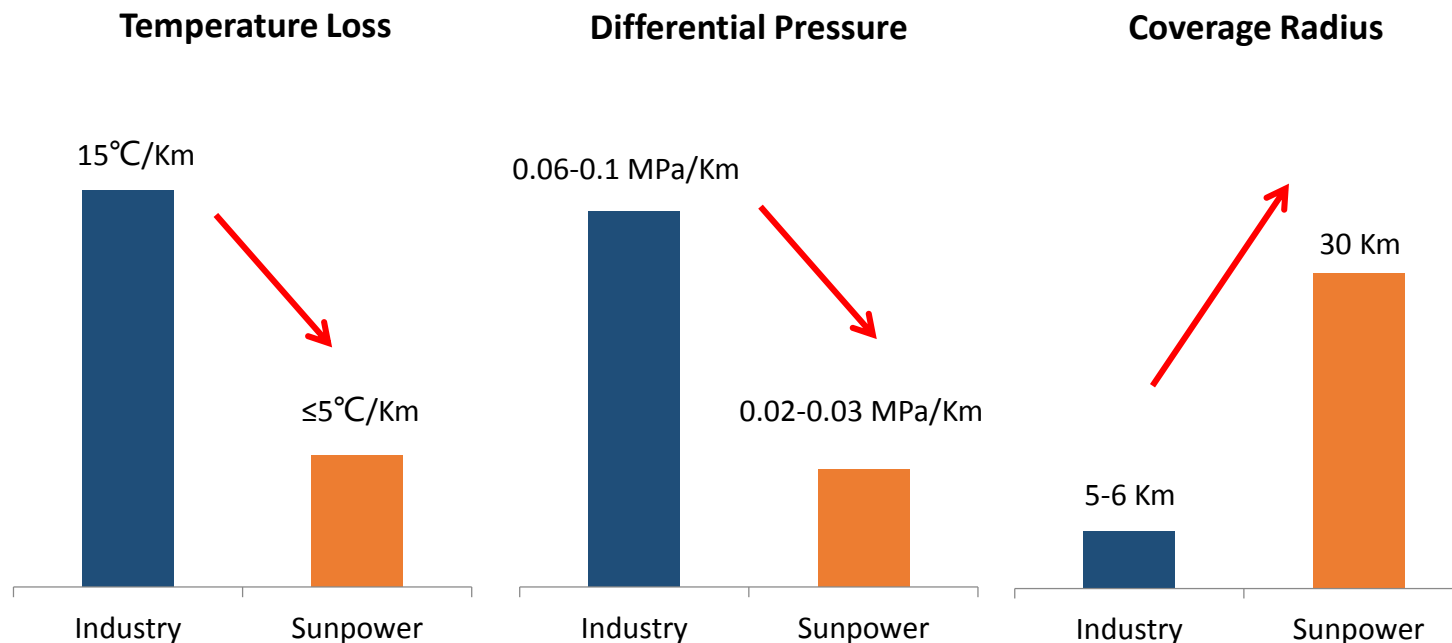
# Our Competitive Advantages Enable Us to Fully Capitalize On the Enormous Market Opportunities

- 1 Leading Technology**  
More than 20 years experience in long distance distribution pipeline, emission reduction, and integrated energy saving solution creates unique technology advantages for Green Investment business
- 2 Strong Business Fundamentals**  
With our extensive experience in EPC, we are able to manage Green Investment projects very effectively and efficiently to generate both recurring income and EPC income to achieve good return on invested capital
- 3 Professional and Disciplined Management Team**  
The key management team with extensive environmental protection services experiences and discipline
- 4 Extensive Sector Knowledge and Disciplined Project Management Process**  
Combining strong technical/sector knowledge with disciplined due diligence process and project management skills, we are able to more accurately estimate potential customer demand to provide prudent and efficient solutions to minimize project risks and achieve good ROI for our Green Investment projects
- 5 Strong Financial Standing**  
Equity injection by CDH and healthy internally generated operating cash flow provide us the ability to further diversify funding source and expand Green Investment business rapidly
- 6 Strong Institutional Investor**  
CDH - a strategic partner, provides value-add capital, credibility & endorsement of our repositioned business model

# Long Distance Heat Insulated Steam Distribution Pipelines: Scale of Economy & Cost Saving

## Our Proprietary Heat Transfer Technology

- Able to increase geographical reach to end users
- Resulting in a larger scale of economy to be more cost effective/efficient
- Reduce coal feedstock required to generate steam at higher temperature due to less temperature lost during transmission



Source: Company Estimates

# Integrated Energy Saving Solutions & Emission Reduction

## Integrated Energy Saving Solutions: Reduce Coal Consumption and Minimize Operation Costs

- Types of proprietary technology knowhow deployed in our solutions**
- High efficient heat transfer
  - GGH – Gas Gas Heater
  - Low temperature water preheater
  - Waste heat recovering

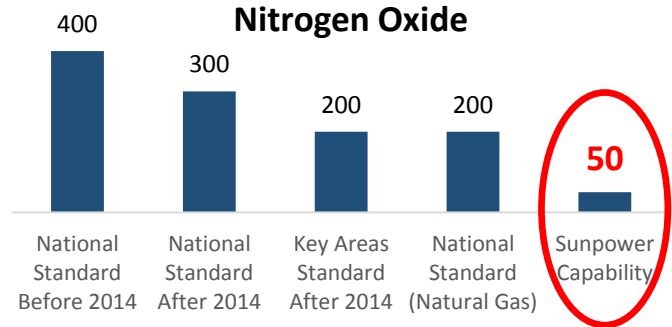
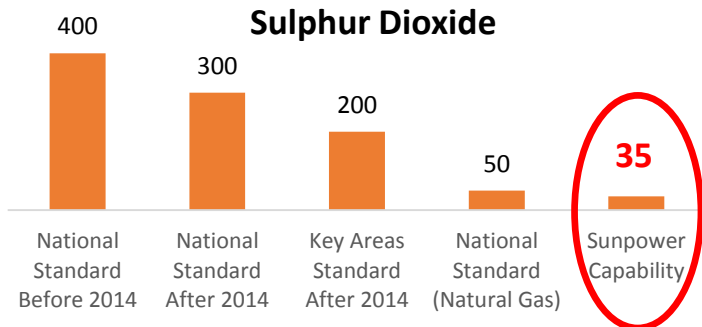
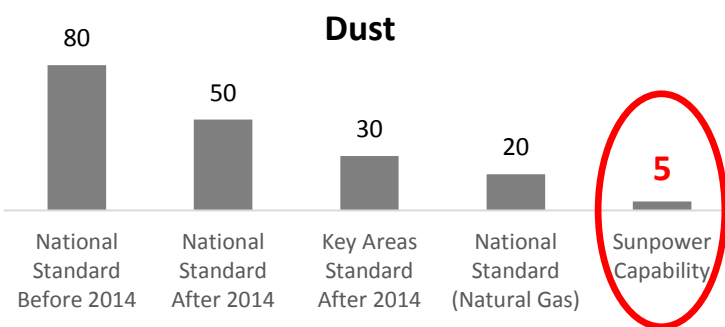
Centralized Steam & Electricity Facilities



Long Distance Heat Insulated Steam Distribution Pipelines



## Emission Reduction: Compared to the Small Coal-fired Boilers, We Achieve More Efficient Emission Reduction by Clean Combustion and Advanced Dedusting, Desulfurization & Denitrification Technology.



Source: Emission standard of air pollutants for boiler issued by Ministry of Environmental Protection of PRC, Company Estimate

# Overview of Green Investment Project: a More Efficient Environmental Protection Solution with Lower Emission and Long-term Recurring Income

## 1 Economy of Scale and Cost Saving

Long distance heat insulation transmission system of steam pipe network increases the heating transmission's geographical coverage of clients in industrial parks with up to 30km radius, which is expected to lower coal consumption to generate the required heat, resulting in lower operating costs

## 3 Recurring Operating Income

GI projects under long-term contracts with steam selling price linked with material operating cost (e.g. coal price) provides stable cash flow and net profit over exclusive concession period of 20-30 years

## Typical Centralized Steam Facility



## 2 Emission Reduction

Efficiently coal combustion combined with denitrification and desulfurization technology enables efficient and clean use of coal compared to small coal-fired boilers with poor pollutant treatment

## 4 Exclusive Centralised Heat Supplier

Concession agreements enable our Company to be the sole centralised steam supplier over the period of the concessions



# Experienced Management Team with Operational Excellence & Discipline

## Stable Management Team

- Same team over 10 years
- Most have over 20 years of experience in environmental protection service sector

## Highly Educated

- Ph.D or Master Degree
- Run Jiangsu (Sunpower) Technology Research Institute for Energy Saving
- Proprietary technology know-how with more than 120 registered patents
- Drafted 3 National Standards in areas of heat exchange and energy efficiency

## Experienced with Large International Clients & PRC Clients

- Long term cooperation with international clients including Fortune 500 companies, such as BASF, BP, Shell, Dow Chemical
- Enterprise Framework Agreement with SHELL; Global Suppliers and Strategic Partners with BASF; Integrated Alliance Export Agreement with Sinopec



**Dr. Guo Hong Xin**  
Executive Chairman &  
Founder

- > 30 years of experience
- Industry expert and professor in high efficient heat transfer technology development
- Ph.D, EMBA degree in Tsinghua University



**Mr. Ma Ming**  
Executive Director

- > 30 years of experience
- Master degree in Engineering Management



**Mr. Shen Qiang**  
COO  
GM--GI

- > 20 years of experience
- MBA from Nanjing University
- Bachelor in Science and Technology



**Ms. Ge Cuiping**  
CFO

- > 20 years of experience
- Bachelor in Accounting from Nanjing Economic Institute
- PRC Certified Public Accountant (1999)
- PRC Certified Public Valuer (2002)



**Mr. Li Feng**  
VP  
GM--EEM

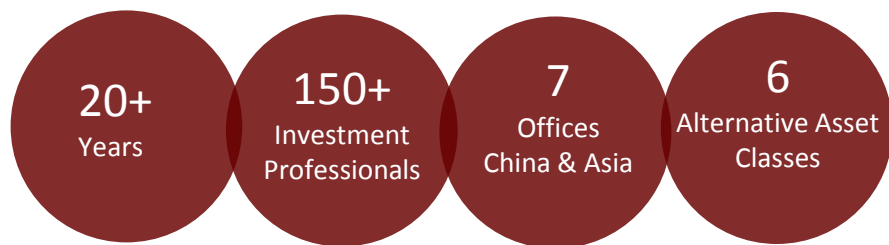
- > 20 years of experience
- MBA from Nanjing University
- Bachelor in Technology



**Mr. Yuan Ziwei**  
VP  
GM--EPC

- Previously worked for SINOPEC for more than 30 years
- EMBA from China Europe International Business School
- Bachelor in industrial chemistry from Tsinghua University

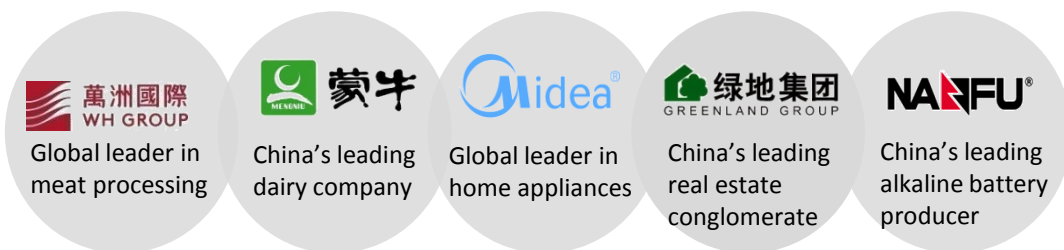
# CDH is One of the Largest and Most Experienced Chinese PE Investors



## Track Record



## Selected Portfolio

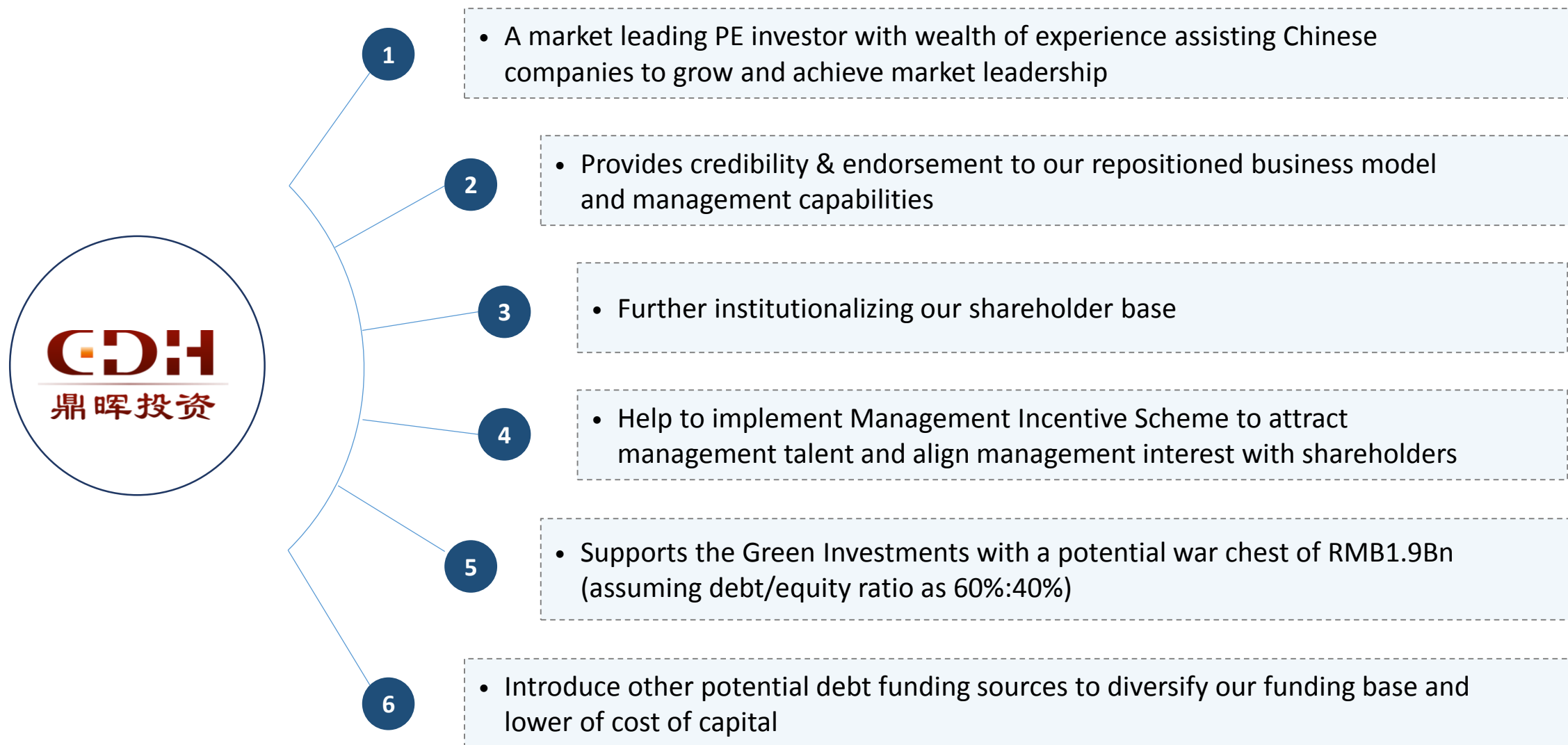


 Provinces where CDH has made investments

Source: CDH, as of September 2016



# We Expect to Benefit from the Value-Adds from Such a Strong Strategic Investor



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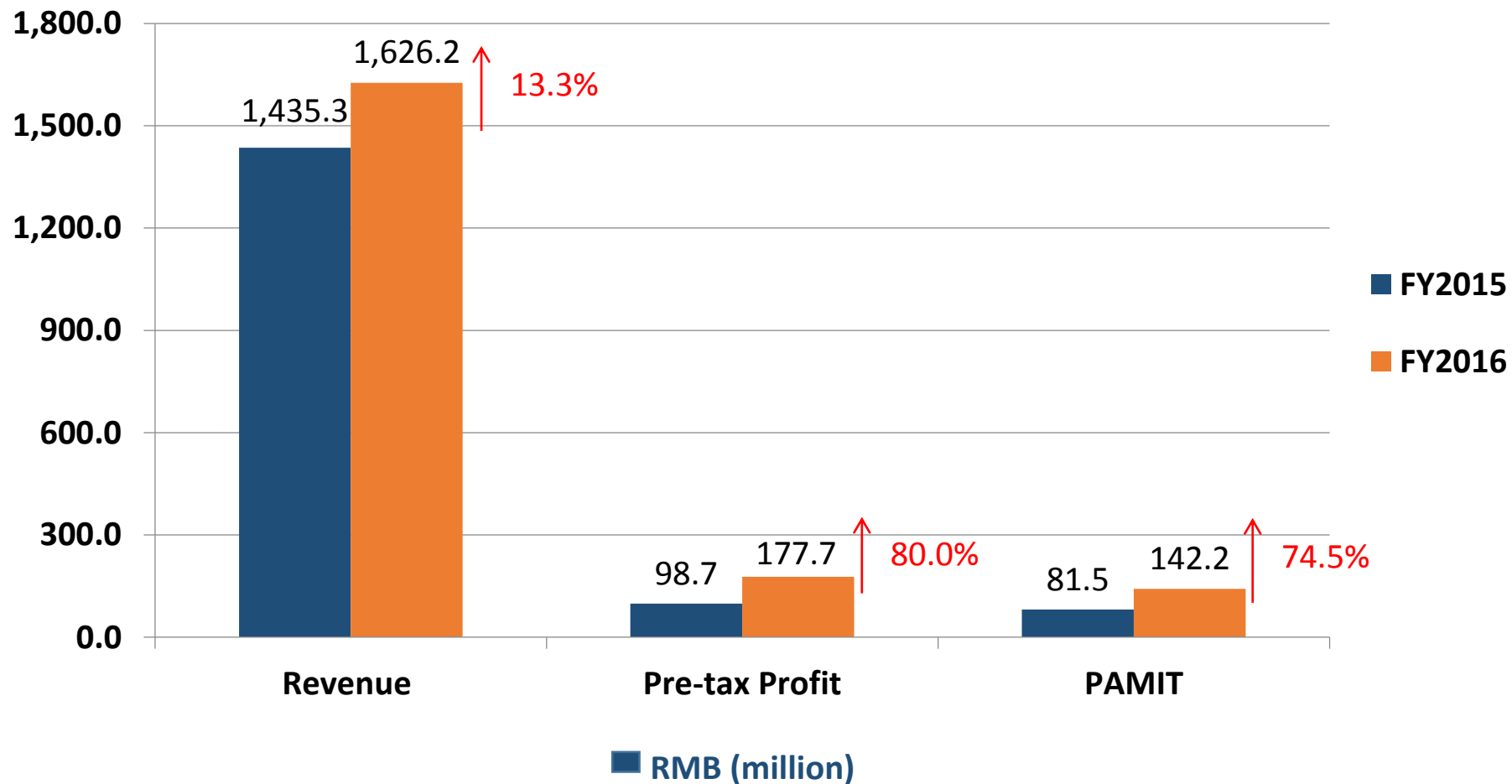
- 1 Revenue increased 13.3% to RMB1626.2 million.
- 2 Pre-tax profit increased 80.0 % to RMB177.7 million.
- 3 PATMI increased 74.5 % to RMB142.2 million.
- 4 Gross profit margin increased from 22.3 % to 25.1%.

- 1 The Group's revenue increased by RMB 190.9 million or 13.3% from RMB1,435.3 million in FY2015 to RMB 1,626.2 million in FY2016. The increase was attributed by an increase of RMB 152.6 million from EPC Integrated Solutions segment and RMB 38.8 million from Environmental Equipment Manufacturing segment respectively.
- 2 The Group's gross profit increased by RMB 88.1 million or 27.5% from RMB 320.2 million in FY2015 to RMB 408.3 million in FY2016. Gross profit margin of 25.1% for FY2016 is fairly consistent compared to 22.3% for FY2015.
- 3 The Group's net profit attributable to shareholders increased by RMB 60.7 million or 74.5% from RMB 81.5 million in FY2015 to RMB 142.2 million in FY2016.

# Profit & Loss Highlights

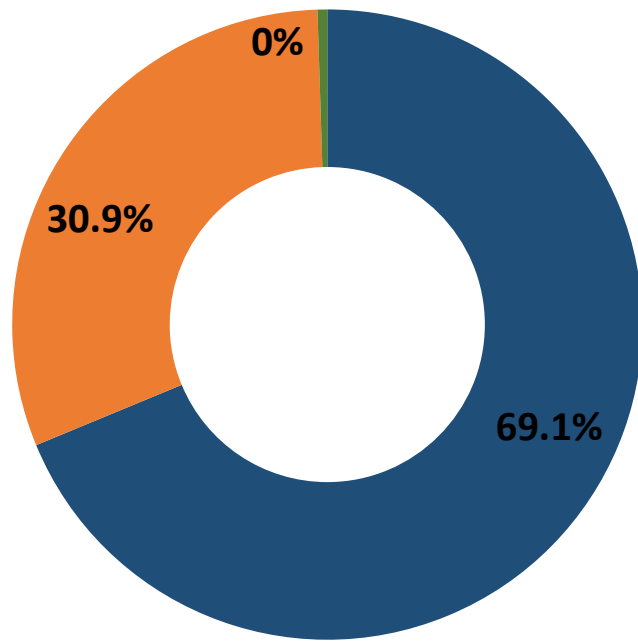
RMB (million)	FY2015	FY2016	% Change
Revenue	1,435.3	1,626.2	13.3%
Gross Profit	320.2	408.3	27.5%
Pre-tax Profit	98.7	177.7	80.0%
PATMI	81.5	142.2	74.5%
Gross Margin	22.3%	25.1%	12.6%
PATMI Margin	5.7%	8.7%	52.6%
EPS (RMB cents)	20.54	19.27	-6.2%

# Profit & Loss Highlights

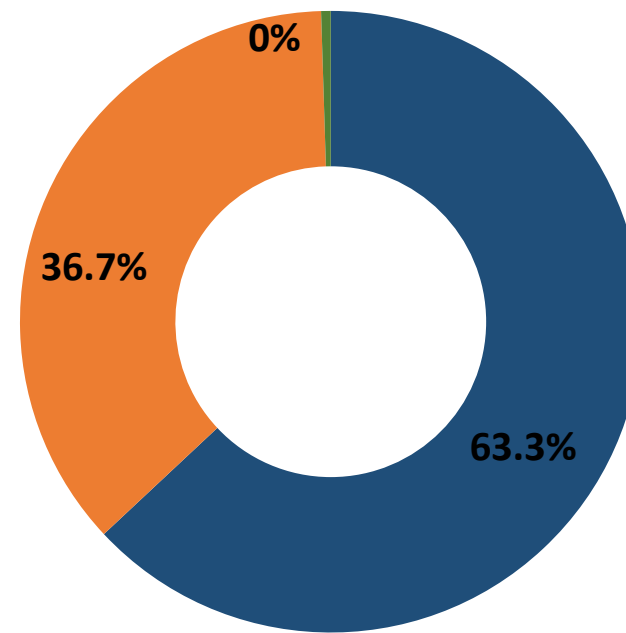


# Revenue Composition

- Environmental equipment manufacturing
- EPC integrated solutions
- Green investments



FY2015



FY2016

# Balance Sheet Summary

RMB (million)	FY2015	FY2016	% Change
Trade Receivables	1262.0	1018.3	-19.3%
Inventories	234.8	209.8	-10.6%
Total Current Assets	2,055.1	1,699.9	-17.3%
Non Current Assets	473.4	1083.3	128.8%
Current Liabilities	1,511.7	1,466.4	-3.0%
Equity	992.8	1143.7	15.2%
Total Liabilities & Equity	2,528.5	2,783.2	10.1%



The Group's total current assets decreased by RMB 355.2 million or 17.3% from RMB 2,055.1 million as at 31 December 2015 to RMB 1,699.9 million as at 31 December 2016. The decrease was mainly due to:

- 1 Decrease in cash and cash equivalents of approximately RMB 116.3 million which resulted from the usage of funds from share placement in December 2015 for numerous BOT projects during the financial year ended 2016.
- 2 Decrease in trade receivables of RMB 243.7 million arising from improved trade receivables monitoring.
- 3 Decrease in inventories of RMB 25.1 million due to impairment allowance on inventories, decreased work in progress and finished goods of RMB 42.0 million to fulfil the orders on hand, offset by the increase in raw materials of RMB 16.9 million.

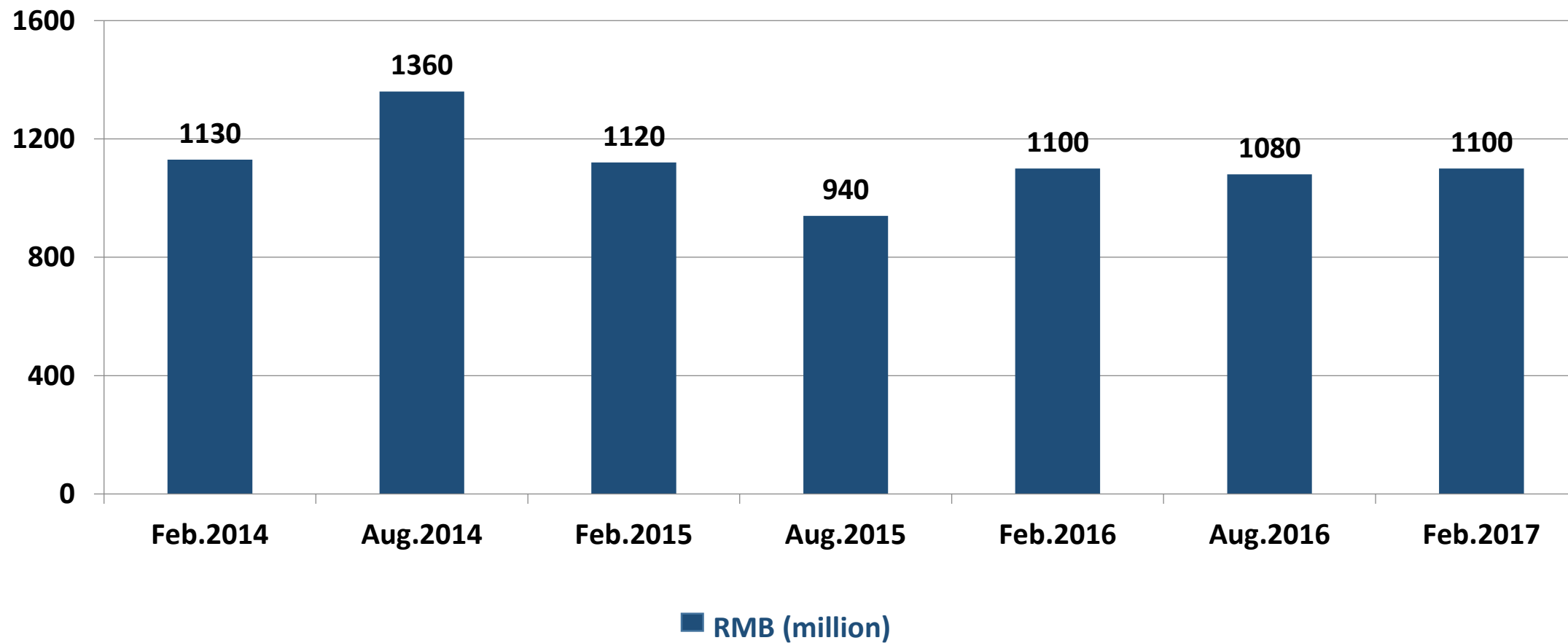
The above decreases were partly offset by Increase in other receivables and prepayments of RMB 23.3 million mainly due to advance payments for purchase of imported materials;

The Group's total liabilities increased by RMB 103.8 million or 6.8% from RMB 1,535.7 million as at 31 December 2015 to RMB 1,639.5 million as at 31 December 2016. The increase was mainly due to long term bank loan borrowed for BOT projects.

# Cash Flow Highlights

RMB (million)	FY2015	FY2016
From Operating Activities	113.6	430.0
From Investing Activities	-90.4	-642.0
From Financing Activities	262.6	95.6
Cash & Cash Equivalents	397.5	281.3

# Order Book Update

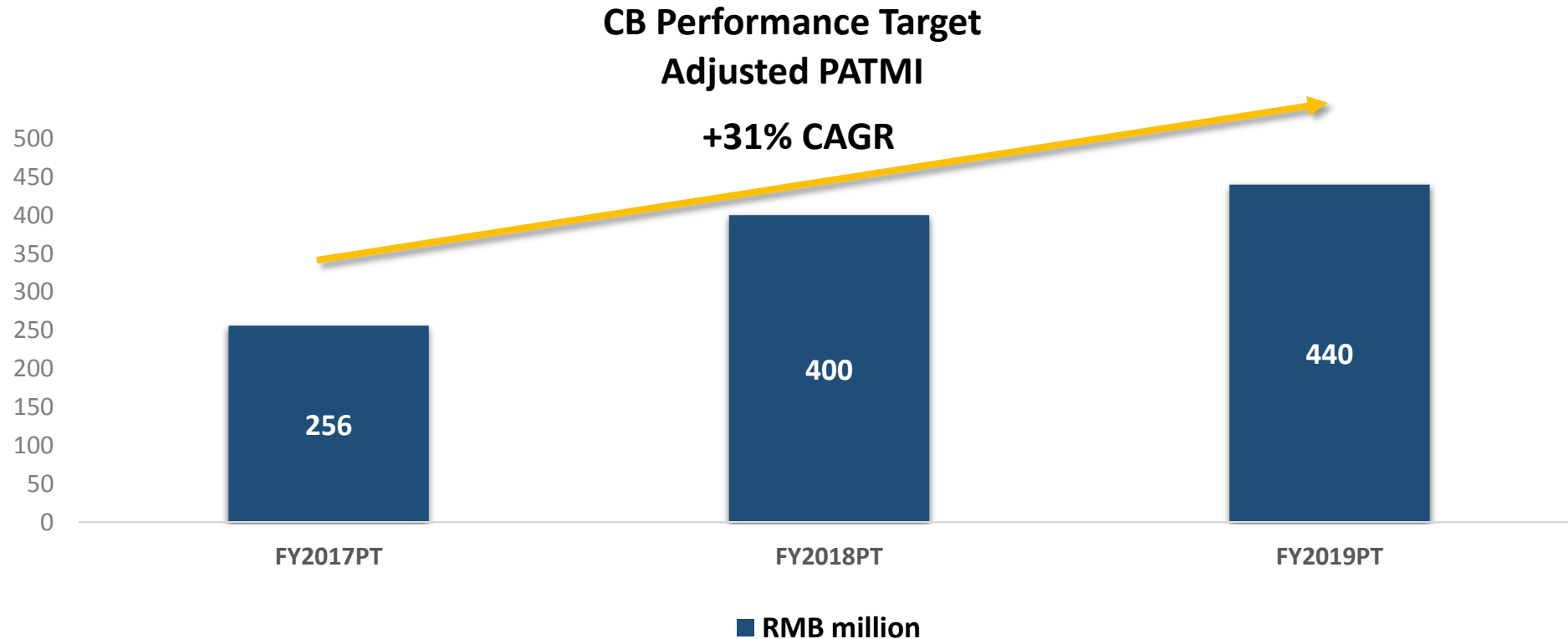


# Robust Pipeline for Green Investments Projects with Good ROI

Project Names	Nature	Annual Designed Capacity	Estimated Investment Size (RMB mn)	Date Announced
Hebei Changrun Phase 1 Steam & Electricity	30 years BOT of centralised steam plant at industrial park	2 x 220 t/h 2 x 25mw/h	817	23-Dec-2015
Jiangsu LianShui Steam	Up to 30 years BOT of centralised steam plant at industrial park	2 x 40 t/h	95	18-Jan- 2016
Anhui Quanjiao Phase 1 Steam	30 years BOT of centralised steam plant at industrial park	1 x 40 t/h	54	18-Feb- 2016
Guangdong Shantou PPP Project Phase 1 Cogeneration	The total project value of the cogeneration facilities is estimated to be up to approximately RMB1.6 billion	-	700	7-Dec-2016 18-Jan-2017
Shandong Changyi Liutuan Project Phase 1 Heat Transfer Oil	30 years BOO of centralised heat transfer oil facility at industrial park, the total investment amount will be approximately RMB338 million	-	250	16-Jan-2017

Several other BOT/BOO/TOT projects are under negotiation.

# CB Performance Targets (Adjusted PATMI)



## Important Notes :

(1) PATMI excludes fair value gain/(losses) of CB & accounting expenses such as ESOS expense, effective CB interest etc.

(2) FY2017 to FY2019 Performance Targets as set out in the CB Purchase Agreement dated 14 Dec 2016.

(3) The computations set out herein, including but not limited to the Performance Targets, do not reflect the actual financial results and financial position of the Group, and do not represent a growth or profit forecast. This presentation has been prepared on an indicative basis and does not represent a commitment from the Company in any form. It should also be noted that there can be no assurance that such computations, including but not limited to the Performance Targets, can and/or will be achieved by management in the performance of their duties

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# Future Plans

## Drive Earnings Growth

Increase market share and capitalize on robust GI project pipeline

## Grow Recurring Income

Target recurring income from Green Investment to account for > 50% of total revenue within 3 years

## Diversify Funding Source & Lower Cost of Capital

Equity injection by CDH and healthy internally generated operating cash flow to diversify funding source and lower cost of capital

## Institutionalize & Attract Management Talent

Further institutionalize business and implement management incentives to attract management talent

## Create Shareholders' Value

Align company's and shareholders' interests to enhance shareholder value

Q&A



# Appendix: Government Environmental Protection Policies

Directives, Notices & Circulars	Period	PRC Authority	Salient Points
Air Pollution Prevention Action Plan	Sep. 2013	State Council	Rectify small coal-fired boilers. Accelerate central heating, coal-to-gas and coal-to-electricity projects. Eliminate small boilers producing $\leq 10$ tons/hr. Prohibit small boilers producing $\leq 20$ tons/hr in major cities.
Energy-Saving, Low Carbon & Emission Reduction Action Plan 2014-15	May. 2014	State Council	Promote efficient use of coal & clean energy. Expedite transformations of coal boilers. Eliminate 200,000 tons of obsolete boilers by 2015. Implement desulphurization transformation of boilers with capacity $\geq 20$ tons/hr. Promote 250,000 tons of high-efficiency & energy-saving boilers.
Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme	Oct. 2014	NDRC, NEA & MOF and others	By 2018, increase 500,000 tons of high-efficiency boilers & increase market share from 5% to 40%. Eliminate 400,000 tons of obsolete boilers & transform 400,000 tons of boilers. By 2017, eliminate small coal-fired boilers with producing $\leq 35$ tons/hr in Tianjing and Hebei; boilers producing $\leq 10$ tons/hr in major cities. By 2015, eliminate small boilers producing $\leq 10$ tons/hr in Beijing, Tianjing, Hebei & surrounding major cities.
Clean and Efficient Use of Coal Action Plan (2015-2020)	Apr. 2015	National Energy Administration (NEA)	Accelerate to eliminate the inefficient small coal-fired boilers. By 2017, eliminate small coal-fired boilers with producing $\leq 35$ tons/hr in Tianjing and Hebei; boilers producing $\leq 10$ tons/hr in major cities. By 2020, eliminate 600,000 tons of obsolete coal-fired boilers. In key areas of China, Complete construction clean energy facilities, coal-boilers with high efficiency will be accounting for more than 50% of the total coal-boilers.
Heat-power Cogeneration Measures	Apr. 2016	NDRC, NEA & MOF and others	To achieve 60% of heat supply using central cogeneration of heat & power facilities in medium-large cities in North China & 100% in cities with population over 200,000.
The Environment Tax Law	Dec. 2016	National People's Congress (NPC) Standing Committee	A new law will enter into force on Jan 1, 2018, will be key to fighting pollution, which set rates of 1.2 yuan on stipulated quantities of air pollutants. For instance, polluters will pay 1.2 yuan for emission of 4 kilograms of dust, or 0.95 kilograms of sulfur dioxide, or 0.95 kilograms of nitrogen oxide.

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