

2Q2015 Result Briefing

11 August 2015

Disclaimer

Any statements regarding the potential future performance of the Group are based upon a range of assumptions which Sunpower's management, from their experience, believe are reasonable. However, these statements are estimates only and no assumption can be guaranteed. Any differences between actual conditions and the assumptions may result in a material variance between the actual future performance of the Group and that estimated in this presentation.

Presentation Outline

- ◆ Corporate Overview
- ◆ 2Q 2015 Results Highlights
- ◆ Growth Strategies & Plans
- ◆ Investment Merits
- ◆ Questions and Answers

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Corporate Overview

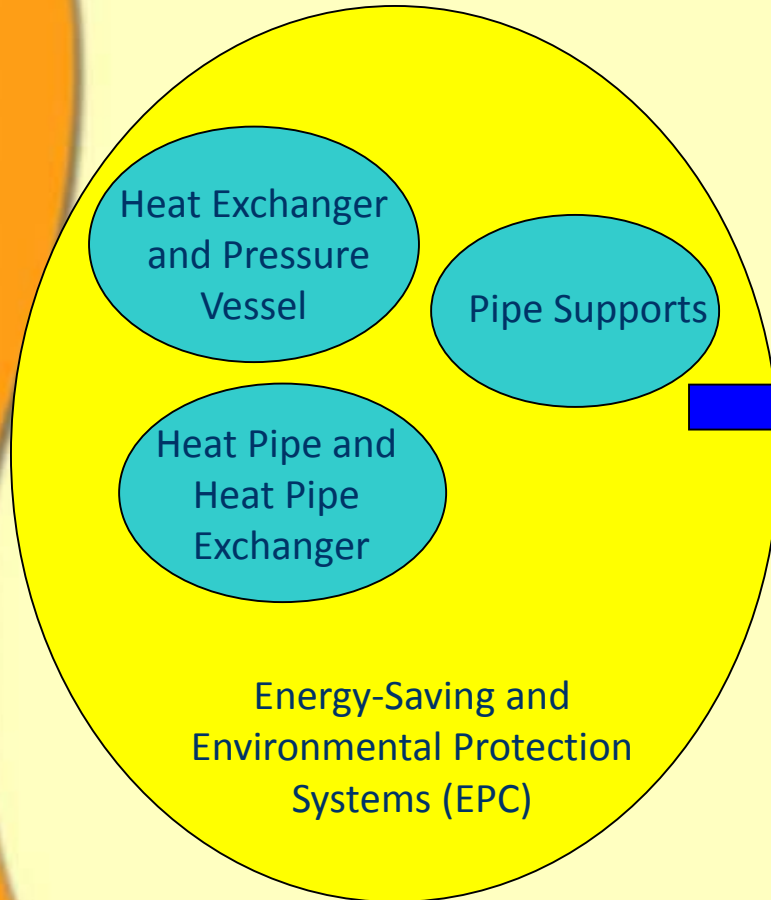
Corporate Overview

- ❖ Established in 1997, listed on SGX in 2005.
- ❖ A leading EPC supplier for energy-saving and energy efficiency related business, namely as Heat Exchanger and Pressure Vessel, Heat Pipe and Heat Pipe Exchanger, Pipe Supports and Energy-Saving & Environmental Protection Systems.
- ❖ With our leading position in the domestic market, the Group has established a well-diversified global customer base by exporting products to overseas countries and regions such as the United States, Europe, Australia, Southeast Asia, South Asia, Central Asia, South America and the Middle East.
- ❖ Our products have been applied in many industries such as oil & gas, petrochemical & chemical, metallurgical, LNG, coal chemical, seawater desalination, sulfur recovery and other emerging energy-saving industries.
- ❖ Strong intellectual properties with 121 patents on hand, National Standards for 4 products, research institute for industrial energy-saving, postdoctoral program, corporate academician programmes.



Business Model

Products & Services Provided



MNCs Customers

BP	BASF
Mobil	CTCI
CNPC	Technip
Shenhua	SINOPEC
CREC	CNOOC
Dupont	Flour
Dow	Uhde
Samsung	Alcoa
Celanese	Bayer
FosterWheeler	Sasol
TOYO	Shell
Sabic	Braskem
HQCEC	MITSUBISHI
LANXESS	

The list is endless.....

Patents 121 (2 added)

Heat Pipes and Heat Pipe Exchangers
54



Heat Exchangers and Pressure Vessels
26



Pipe Supports 17



Energy Saving and Environmental
Protection Systems 24



Growth Drivers

- ❖ Chinese government supportive policies and law relating to environmental protection will spur increasing demand for energy saving and environmental protection equipment in the market.
- ❖ "New Environment Protection Law" (“新环保法”) and “the Water Pollution Prevention Plan” (“水十条”) imposes stricter obligations on enterprises regarding pollution prevention and control, and provides for more severe penalties.
- ❖ Chinese government still makes efforts to achieve the localization of the key technology and equipments in the environmental protection industry

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2Q2015 Results Highlights

2Q2015 Result Highlights

- ❖ Revenue increased 15.6% to RMB348.3 million.
- ❖ Pre-tax profit decreased 29.6 % to RMB18.3 million.
- ❖ PATMI decreased 30.9 % to RMB15.2 million.
- ❖ Gross profit margin decreased from 25.1% to 19.6%.

2Q2015 Result Highlights

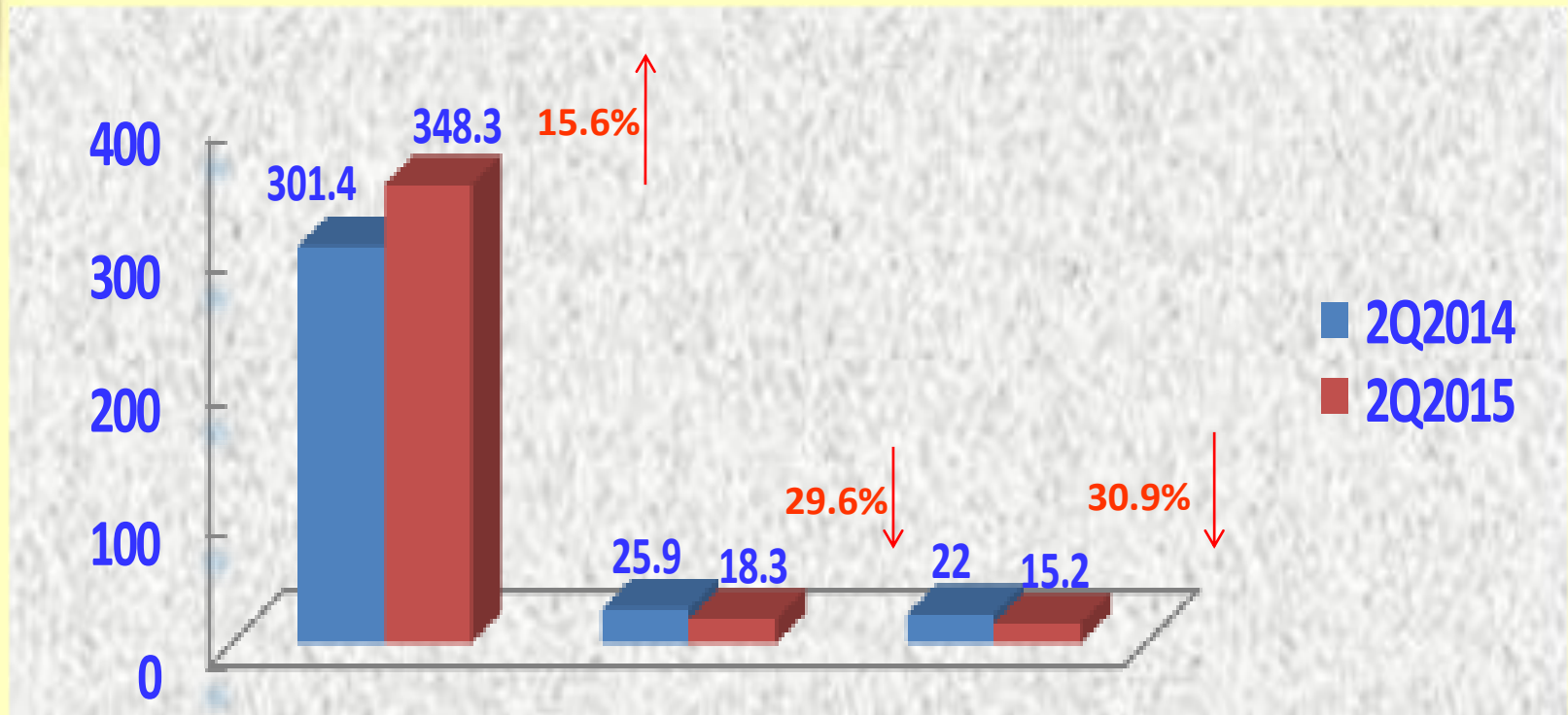
- ❖ The Group's revenue increased by RMB 47.0 million or 15.6% from RMB 301.4 million in 2Q2014 to RMB 348.3 million in 2Q2015. This was attributed to an aggregate increase of RMB 81.8 million from the Heat Exchangers and Pressure Vessels segment and Energy Saving and Environmental Protection Systems segment which offset by an aggregate decrease of RMB 34.9 million from Pipe Supports segment and Heat Pipes and Heat Pipe Exchangers segment.
- ❖ Gross profit declined by approximately RMB 7.4 million or 9.9% from RMB 75.5 million in 2Q2014 to RMB 68.1 million in 2Q2015. Gross profit margin decreased from 25.1% for 2Q2014 to 19.6% for 2Q2015 mainly due to lower gross margin achieved by the Heat Exchangers and Pressure Vessels segment which was caused by more intensive competition in this segment.
- ❖ The Group's net profit attributable to the shareholders decreased by RMB 6.8 million or 30.9% from RMB 22.0 million in 2Q2014 to RMB 15.2 million in 2Q2015.

Profit & Loss Highlights

RMB (million)	2Q2015	2Q2014	% Change
Revenue	348.3	301.4	15.6
Gross Profit	68.1	75.5	-9.9
Pre-tax Profit	18.3	25.9	-29.6
PATMI	15.2	22.0	-30.9
Gross Margin	19.6%	25.1%	-5.5 pp
PATMI Margin	4.4%	7.3%	-2.9 pp
Basic EPS (RMB cents)	3.84	6.02	-36.2

Profit & Loss Highlights

RMB (million)



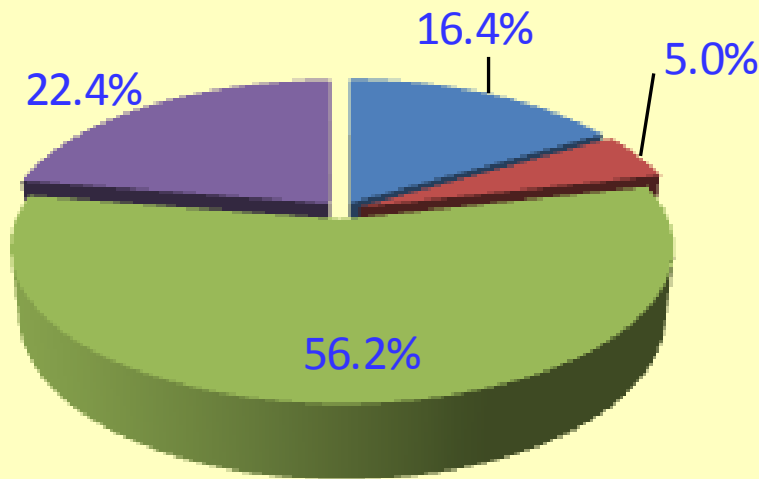
Revenue

Pre-tax Profit

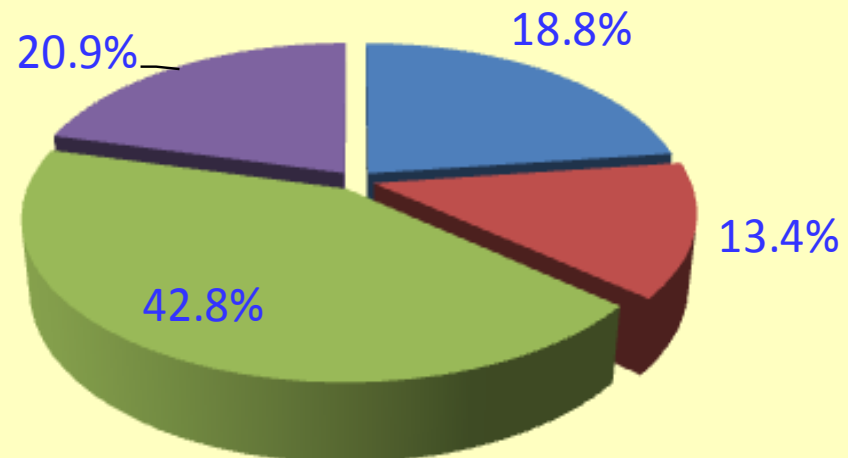
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Revenue Composition

- Heat pipes and heat pipe exchangers
- Pipe supports
- Heat exchangers and Pressure vessels
- Energy saving and environmental protection systems



2Q2015



2Q2014

Balance Sheet Summary

RMB (million)	2Q2015	FY2014	% Change
Trade Receivables	1,007.8	1,035.5	-2.7%
Inventories	272.8	265.3	2.8%
Total Current Assets	1,582.8	1,550.2	2.1%
Non Current Assets	348.0	350.0	-0.6%
Current Liabilities	1,208.4	1,201.9	0.5%
Equity	698.2	673.5	3.7%
Total Liabilities & Equity	1,930.8	1,900.2	1.6%

Financial Review

The Group's total current assets increased by RMB 32.6 million or 2.1% from RMB 1,550.2 million as at 31 December 2014 to RMB 1,582.8 million as at 30 June 2015 mainly due to the effects of the followings:

- ❖ Increase in cash and cash equivalents of RMB 43.4 million;
- ❖ Increase in other receivables, deposits and prepayments of RMB 22.7 million resulting from the increased advance payments for purchases to fulfil orders on hand; and
- ❖ Increase in inventories of RMB 7.5 million mainly due to increase in finished goods of RMB 63.7 million to fulfil the sales orders, which was offset by decrease in raw materials and work in progress of RMB 56.3 million.
- ❖ Decrease in trade receivables of RMB 27.7 million arising mainly from better collection attributable to the efforts of management to follow up with customers; and approximately 42.9% and 4.9% of the trade receivables at 31 December 2014 and 30 June 2015 respectively were collected as at 31 July 2015. Most of the trade receivables are due from customers that are state-owned enterprises, listed companies or multinational corporations. Overall, the Group's customers are credit-worthy but payments remain slow due to tightening credit in China; and
- ❖ Decrease in pledged bank deposits of RMB 13.2 million as less cash collateral was required for the credit facilities granted.

Financial Review

The Group's total current liabilities increased by RMB 6.5 million or 0.5% from RMB 1,201.9 million as at 31 December 2014 to RMB 1,208.4 million as at 30 June 2015. The increase was mainly due to the following:

- ❖ Increase in trade payables of RMB 37.1 million due largely to increase in trade payables to third parties; which was offset by
- ❖ Decrease in other payables of RMB 20.2 million arising mainly from the decrease in accruals for payroll and value-added tax of RMB 17.1 million in aggregate; and
- ❖ Decrease in borrowings of RMB 9.4 million due to the repayments made during the period under review.

Cash Flow Highlights

RMB (million)	2Q2015	2Q2014
From Operating Activities	24.0	70.0
From Investing Activities	-7.5	-5.0
From Financing Activities	0.6	-16.5
Net Cash Flow (outflow)	153.9	181.4

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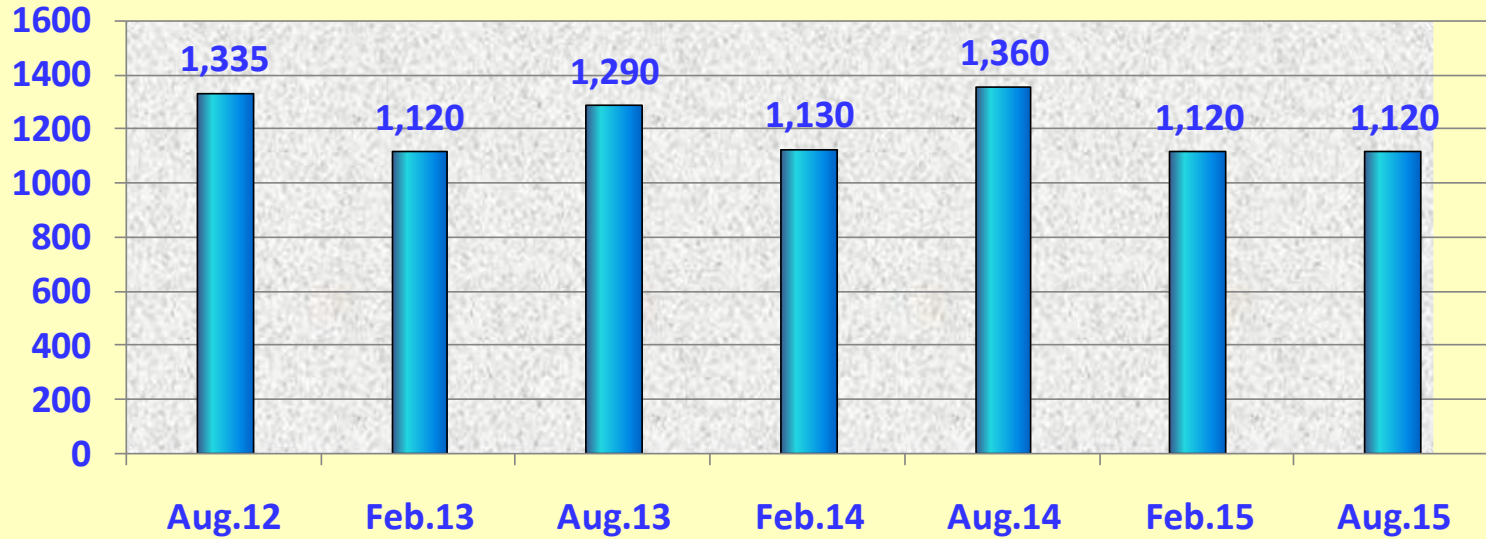
Growth Strategies & Plans

Growth Strategies & Plans

- ❖ Strengthen the R&D of environmental protection technology and improve the R&D capabilities in air treatment, industrial wastewater treatment and related industries via BOT, TOT and EMC models.
- ❖ Strengthen the international management team and continue to make efforts to expand to new international markets and areas based in the our existing market.
- ❖ Strengthen the innovation and brand influence
- ❖ Strengthen the internal management and control to reduce the expenditure.

Order book Update

RMB (million)



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Investment Merits

Investment Merits

- ❖ A leading player with high reputation and brand recognition in energy-saving & environmental protection and related industries
- ❖ Long term demands for energy-saving and environmental protection industry as a result of worldwide low carbon economy wave and the policy of sustainable development in China
- ❖ Stable relationships with more high-end and premium clients

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Questions & Answers

Thank you!