

# SUNPOWER GROUP LTD.

Corporate Presentation

January 2018

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# Agenda



1

**Sunpower Group at a Glance**

2

**Investment Highlights**

3

**Operational Highlights**

4

**Financial Highlights**

5

**Q&A Session**

# Sunpower Group at a Glance

- Established in 1997, listed on SGX since 2005 (SGX stock code: 5GD. SI / Bloomberg ticker: SPWG SP).
- Sunpower is an environmental protection solutions specialist and has over 20 years of experience in the environmental protection services and energy savings industry.
- Three business segments: Green Investments (GI), Environmental Equipment Manufacturing (EEM), and Engineering, Procurement and Construction Integrated Solutions (EPC).
- Sunpower has delivered superior quality products and services to approximately 1,500 customers in over 30 countries across the globe to date. Its reputable customer base includes BASF, BP, Shell, SABIC, DowDuPont, Bayer, Exxon Mobil, Alcoa and Mobil, China Petrochemical Corporation (SINOPEC), China National Petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOOC), China Shenhua and GCL.



## Stable Profit & Cash Flow









## Future Growth Driver

### EEM

### EPC

### GI

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

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

Main Products	Major Clients
<b>Centralized Steam &amp; Electricity Facilities</b> 	<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>

# Professional and Disciplined Management Team

## Top Management Team Remains Stable

- The majority members in the top management have served the Company for over 10 years
- Strong loyalty to the Company

## Highly Educated and professional

- Ph.D or Master Degree
- Professional background in the industry

## Highly Experienced

- Most of them have over 15 years of working experience in environmental protection service sector
- Extensive experience in working with various conglomerates in diverse industries in China and abroad



**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

- > 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. Chen Kai**  
CIO

- > 15 years experience in risk investment / IPO and M&A.
- MBA from Nanjing University and Bachelor in Technology from Nanjing University of Science and Technology



**Dr. Gu Qianjun**  
Senior VP  
GM-GI

- >25 years of experience in electricity power industry
- MBA from China University of Mining and Technology, bachelor degree in Naniing Institute of Technology



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

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

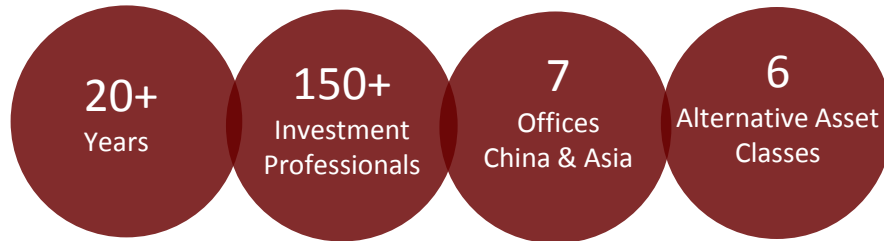


**Mr. Yuan Ziwei**  
Senior VP  
GM--EPC

- 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 our Strategic Institutional Investor

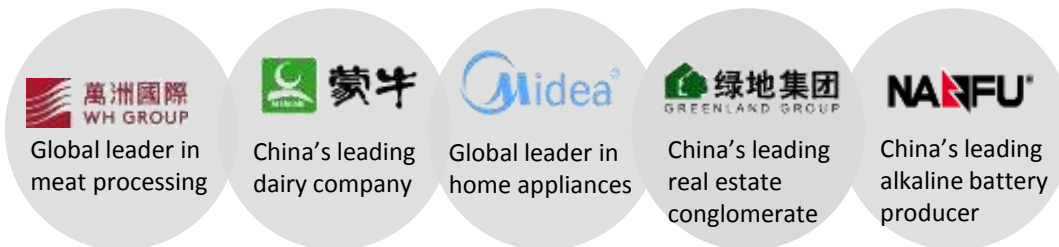
CDH is one of the largest and most experienced Chinese PE investors



### Track Record



### Selected Portfolio



 Provinces where CDH has made investments

Source: CDH, as of September 2016

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- 1 Sunpower Group at a Glance
- 2 Investment Highlights
- 3 Operational Highlights
- 4 Financial Highlights
- 5 Q&A Session

## Unique and Compelling Value Proposition

- World-class proprietary clean coal technologies
- Well-positioned to benefit in attractive China energy market
- Robust financial position
- Strong track record in China and internationally

## Synergistic Business Model Energizes All Segments

- Sunpower maximizes all sources of demand for all its businesses as part of its Synergistic business model.
- Existing EEM and EPC business segments also benefit from demand for new energy-saving products from new industries, such as coal and solar industries

## Cleaner than Government Mandate and Even Natural Gas

Sunpower's clean coal technology allows suitably-equipped coal-fired power plants to be cleaner than required by PRC government and even when compared to natural gas

## China Will Still Depend on Coal Despite Trend Toward Natural Gas

Although natural gas is still preferred by the government over coal, China faces supply and pricing obstacles, especially during winter, due to its large population and land mass, as well as lack of domestic supply

## Business Model Further Evolving to Recurring Revenue Streams with Controllable Costs

- Sustainable core business
- Assured recurring demand
- Controllable costs
- Government aid and subsidies



# Unique and Compelling Value Proposition

**Beneficiary of PRC new green environment policies**

*The Environment Tax Law, issued in 2016, came into force on 1 Jan 2018 to fight against pollution.*

*Air Pollution Prevention Action Plan was issued in 2013 to control air pollution in central heating area.*

*Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme was issued in 2014 to increase market share of high-efficiency boilers.*

*Clean and Efficient Use of Coal Action Plan (2015-2020) was enacted to achieve the goal to accelerate the elimination of the inefficient small coal-fired boilers.*

**Well-positioned to improve shareholder value**

**GI segment is expected to start ramping up in FY18**

**Highly recurring revenue, with levered IRR reaching expectation**

**Well-positioned to benefit in attractive China energy market**

Changrun Project	Quanjiao Project	Lianshui Project	Xinyuan Project	Shantou Project
				
Started commercial operation in Q3 2017	Started commercial operation in Q4 2017	Started commercial operation in Q4 2017	In full operation	Under construction





**World-class proprietary clean coal technologies. Boilers upgraded to further improve combustion efficiency based on the Company's technologies in EEM segment**




**Sunpower's cogeneration plants' emissions are lower than government requirements and even natural gas**

# Unique and Compelling Value Proposition

## Strong track record in China and internationally

- Sunpower serves 1,500 customers across the globe. We export to over 30 countries worldwide, including the USA, Europe, Australia, SEA, South & Central Asia, South America and the Middle East.
- Established long-term partnerships and relationships with notable industry players in China, as well as global and domestic oil majors, such as Shell, CNPC and SINOPEC.
- Sunpower is a first tier supplier to CNPC, a supply network member of SINOPEC and the only supplier of flare systems to Shell Global, the only one in Asia and one of three worldwide.

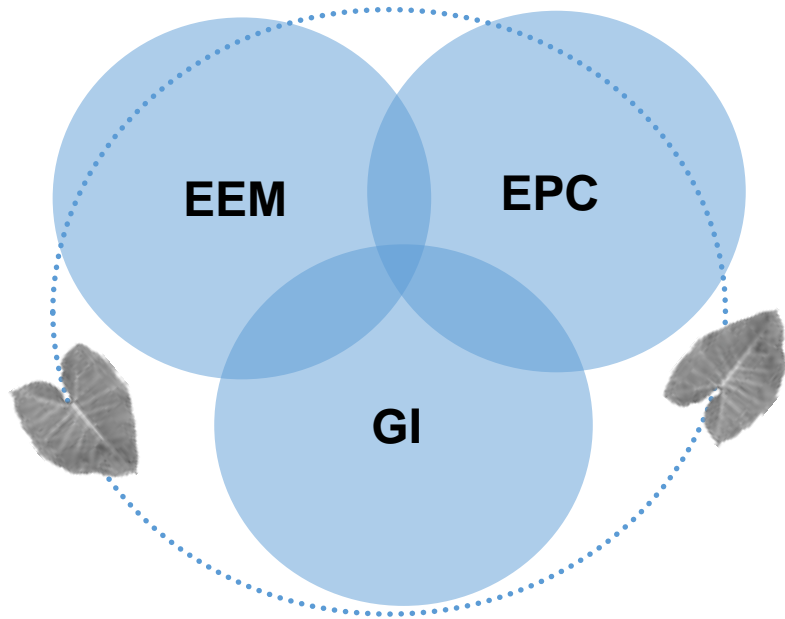


## High-quality customer base



# Synergistic Business Model Energizes All Segments

China's Circular Economy closes the industrial loop by turning one industry's outputs into another industry's inputs. Likewise, Sunpower maximizes all sources of demand for all its businesses as part of its Synergistic business model.



Flare Gas Recovery

Flare Tip



Spiral heat exchanger for coal industry



Desulphurization Project of Changrun Project

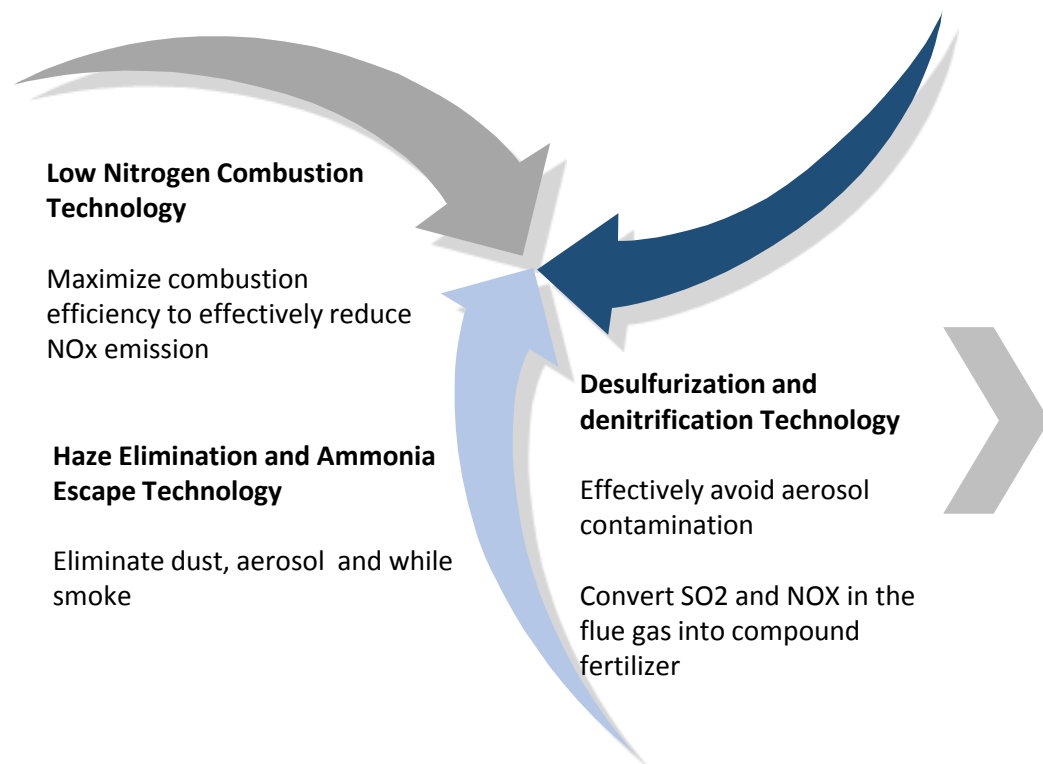


Comprehensive utilization of LNG Cold Energy

# Cleaner than Government Mandate and Even Natural Gas

## Emission Comparison Table

Emission mg/m <sup>3</sup>	New National Standard for Coal- fired Boilers	New National Standard for Key Areas	New National Standard for Natural Gas	Key Area	Sunpower
Dust	50	10	5	20	<5
Sulphur Dioxide, SO <sub>x</sub>	300	50	35	50	<35
Nitrogen Oxide, NO <sub>2</sub>	300	100	50	150	<50



Quanjiao Project



Changrun Project

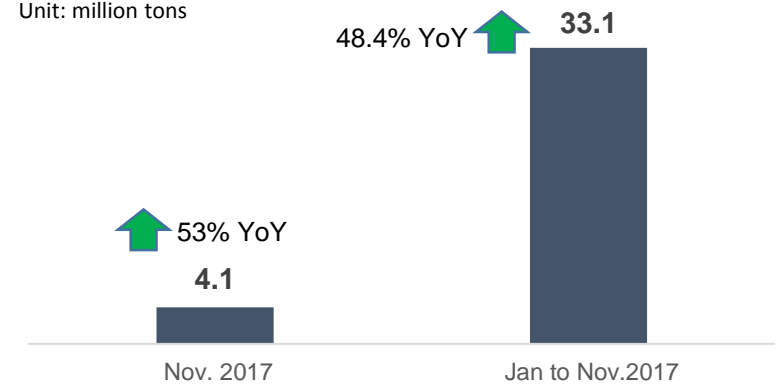
**Sunpower's clean coal technology allows suitably-equipped coal-fired power plants to be cleaner than required by PRC government and even when compared to natural gas**

# China Will Still Depend on Coal Despite Trend Toward Natural Gas

- Although natural gas is preferred by the government over coal to generate power, China faces supply and pricing obstacles, especially during winter, due to its large population and land mass, as well as lack of domestic supply sources.
- Hence, China is a natural gas importer, unlike the US where natural gas makes up 33% of energy production vs coal's 19% in 2016. US now produces nearly all of the natural gas it uses while China imported 35% of its needs in 2016.<sup>1, 2</sup>
- China's large population and energy needs far outstrip that of the US, and the greater use of coal to generate energy is unavoidable due to coal's lower pricing and more abundant supply compared to other fossil fuels and renewable energy sources.
- 13th Five Year Energy Development Plan targets to increase natural gas' share of energy mix from 5.8% in 2015 to 8.3-10% in 2020, but coal will still make up the bulk (62% of total energy consumption in 2016, 58% mandatory cap by 2020).<sup>3</sup>

## China's Natural Gas Imports Reached Record High

Unit: million tons



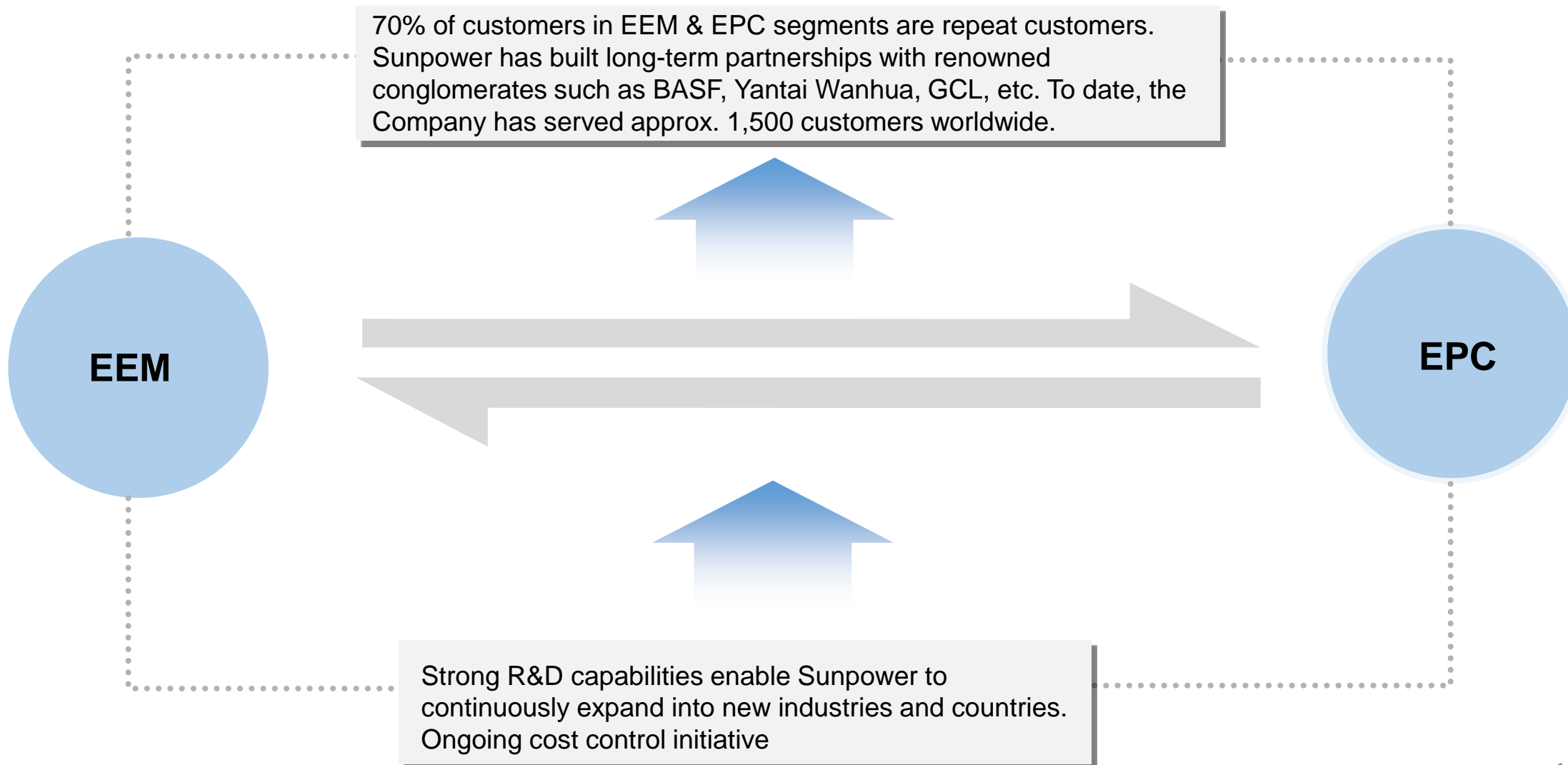
Source: NetEase News

### Sources:

1. US Energy Information Administration ([https://www.eia.gov/energyexplained/?page=us\\_energy\\_home](https://www.eia.gov/energyexplained/?page=us_energy_home))
2. National Energy Administration et al (<https://www.caixinglobal.com/2017-08-21/101133240.html>)
3. National Development and Reform Commission (<http://www.ndrc.gov.cn/zcfb/zcfbghwb/201701/W020170117350627940556.pdf>)

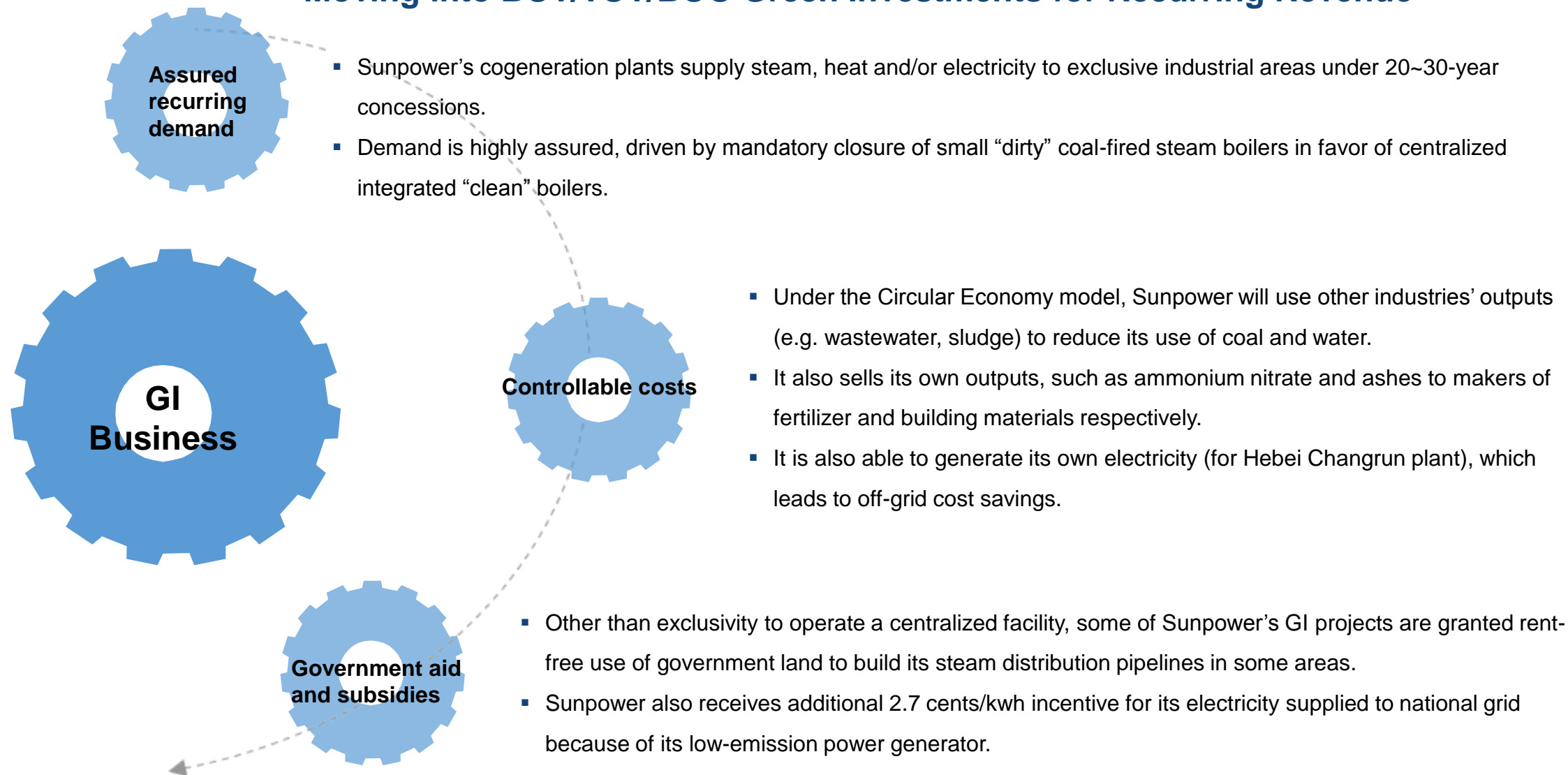
# Business Model Further Evolving to Recurring Revenue Streams with Controllable Costs

## Sustainable Core Business



# Business Model Further Evolving to Recurring Revenue Streams with Controllable Costs

## Moving into BOT/TOT/BOO Green Investments for Recurring Revenue



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1

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2

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3

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4

**Financial Highlights**

5

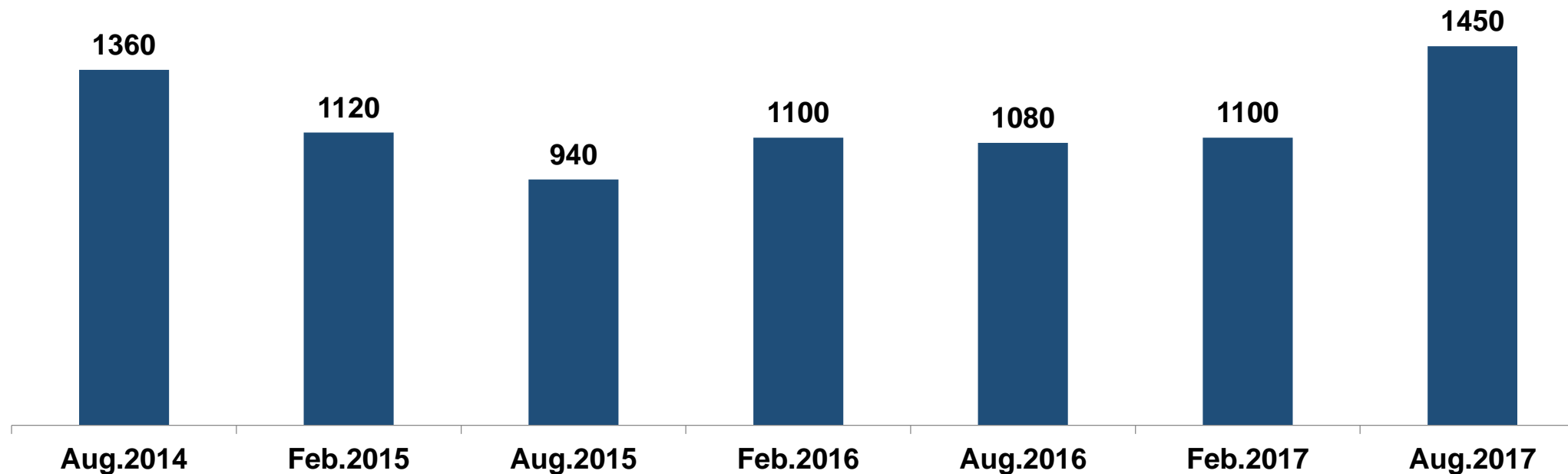
**Q&A Session**



# Strong Order Book

## Order book for EEM and EPC segments

Unit: RMB (million)



*Updated every half-year*

- As at 30 September 2017, the total orders on hand amounted to approximately RMB 1.7 billion.
- Manufacturing capacity utilization for EEM segment remains at 100% in full-year 2017.

# Existing Project Portfolio for GI Segment

Projects	Description	Annual Designed Capacity	Estimated Investment Size (RMB mn)	Date Announced
Hebei Changrun Project - Phase 1	Centralised steam & electricity facility, BOT model for a term of 30 years	2 x 220 tons/hour (t/h) 2 x 25MW	Approx. 817	Dec.23,2015
LianShui Steam Project	Centralised steam facility in Lianshui, Jiangsu Province. Carried out by a JV company that 95% owned by the Group BOT model for up to 30 years	2 x 40 t/h	Approx. 95	Jan.18,2016
Quanjiao Steam Project - Phase 1	Centralised steam facility in Quanjiao, Anhui Province. BOT model for a term of 30 years	1 x 40 t/h	Approx. 54	Feb.18, 2016
Xinyuan Thermal Power Plant	Sunpower acquired this project in November 2017. Centralised steam & electricity facility with >14 years track record	3*75t/h +1*6MW +1*6MW 220t/h + 25MW	Consideration: 212.5	Nov.10, 2017
Shantou PPP Project - Phase1	Cogeneration facility in Shantou City, Guangdong Province. Will be carried out by a JV company	3 x 150 t/h 2 x 20MW	Approx. 700	Sept.19,2017 May.12, 2017 Jan.18, 2017 Dec.7, 2016 Jan.18, 2017
Liutuan Project - Phase1	Centralised heat transfer oil facility in Changyi City, Shandong Province. BOO model for a term of 30 years	2 x 2400 Wkcal 2 x 2000 Wkcal	250	Jan.16,2017
Xintai Zhengda Project	Cogeneration facility in Xintai City, Shandong Province. The new facility will be constructed in phases when the relevant approvals are received	N/A	N/A	Sep.29,2017

In addition to the above-mentioned projects in progress, the Group announced acquisition of Shandong Yangguang Institute on August 11, 2017 to provide support for its long-term development and expansion in Green Investments business in centralized steam and electricity and cogeneration industry.

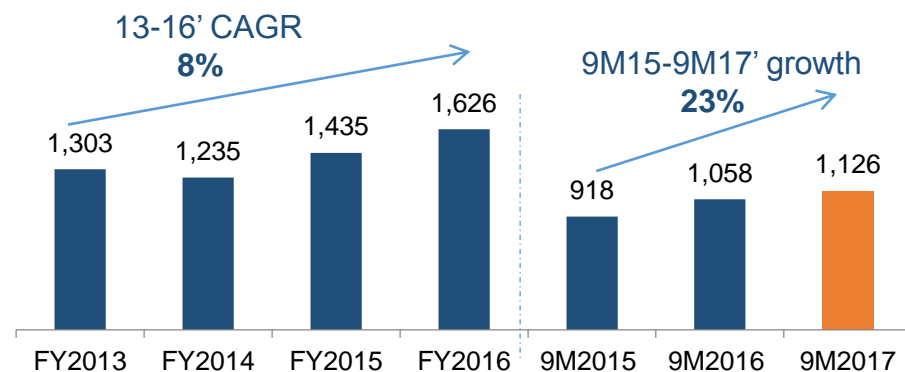
# Agenda



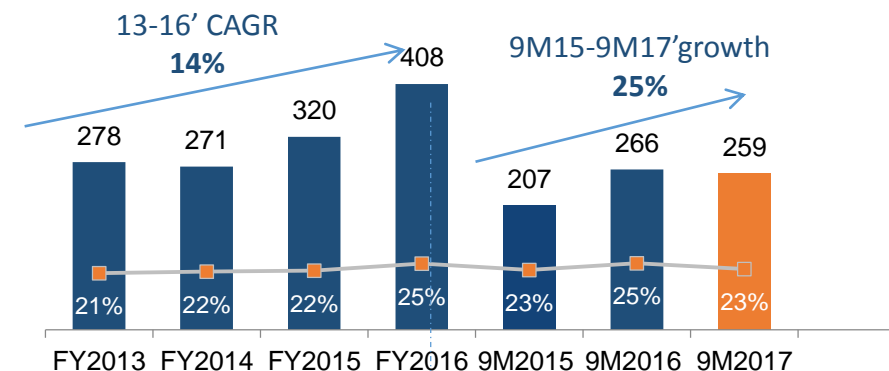
- 1 Sunpower Group at a Glance
- 2 Investment Highlights
- 3 Operational Highlights
- 4 **Financial Highlights**
- 5 Q&A Session

# Solid Growth Trajectory

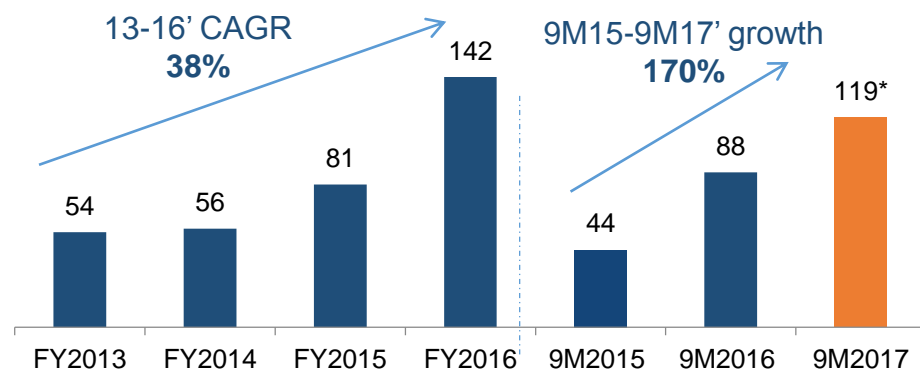
**Revenue (RMB mil)**



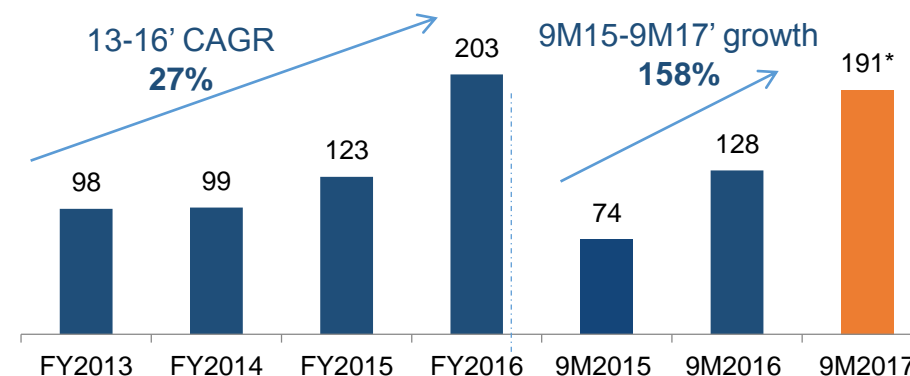
**Gross Profit (RMB mil) & Gross Margin**



**PATMI (RMB mil)**



**EBIT (RMB mil)**



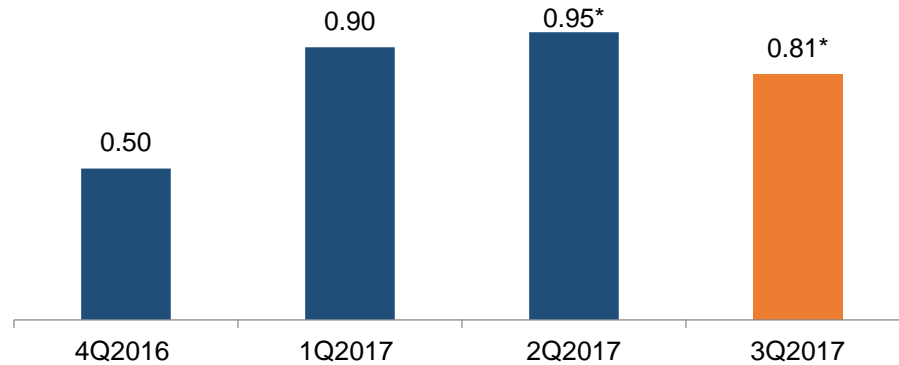
Notes\*: With financial effects of Convertible Bonds.

PATMI of 9M2017 and EBIT is RMB 64 million and RMB 95 million, respectively without the financial effects of Convertible Bonds.

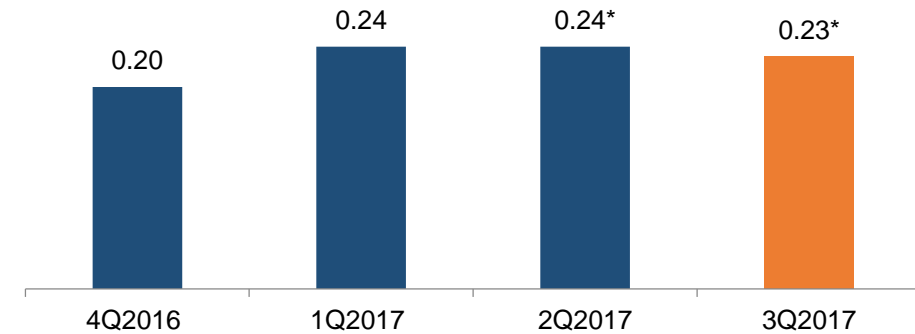
Source: the Company's quarterly earnings and annual reports

# Disciplined Debt Control and Low Debt Ratio

### Gearing ratio (1)



### Total debt (2) / Total assets ratio



Note\*: With financial effects of Convertible Bonds

(1) Short term borrowing + long term borrowings excludes convertible bonds/Equity attributable to equity holders of the Company

(2) Total debt = Short term borrowing + long term borrowings excludes convertible bonds

Source: the Company's quarterly earnings reports

# Income Statement Summary (With financial effects of Convertible Bonds)



RMB million, except EPS and margin	For the third quarter ended		% Change	For the nine months ended		%Change
	3Q2017	3Q2016		9M2017	9M2016	
<b>Revenue</b>	407.2	373.5	9.0	1,126.3	1,057.5	6.5
<b>Gross Profit</b>	88.0	93.3	(5.7)	259.4	266.0	(2.5)
<b>Gross Margin</b>	21.6%	25.0%	(3.4pp)	23.0%	25.2%	(2.2pp)
<b>SG&amp;A*</b>	60.5	52.3	15.7	159.9	141.2	13.2
<b>Fair value gain/(loss) on Convertible Bonds</b>	158.5	-	n.m	83.1	-	n.m
<b>Pre-tax Profit</b>	176.9	37.0	378.1	135.7	110.6	22.7
<b>PATMI</b>	170.9	31.0	451.3	119.4	87.5	36.5
<b>PATMI Margin</b>	42.0%	8.3%	33.7pp	10.6%	8.3%	2.3pp
<b>Basic EPS (RMB cents)</b>	23.17	4.21	450.4	16.19	11.86	36.5

pp: percentage point

\*Selling and distribution expenses plus Administrative expenses

\*Convertible Bonds were issued on 3 March 2017 with the carrying amount of the Convertible Bonds currently stated at fair value as at 31 March 2017. In accordance with Singapore Financial Reporting standards associated with the issuance of compound financial instruments, fair value change will affect the statement of profit and loss arising from (i) fair valuation relating to the conversion option and (ii) amortised interest charge relating to the amortised cost liability component of the Convertible Bonds. The fair value change is an accounting treatment arising from the compliance with the accounting standards and has no cash flow effect and no financial impact on the performance targets in relation to the Convertible Bonds as stipulated in the Convertible Bonds Agreement stated in the circular dated 13 February 2017.

# Income Statement Summary (Without financial effects of Convertible Bonds)



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	3Q2017	3Q2016		9M2017	9M2016	
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<b>SG&amp;A*</b>	60.5	52.3	15.7	159.9	141.2	13.2
<b>Fair value gain/(loss) on Convertible Bonds</b>	-	-	n.m	-	-	n.m
<b>Pre-tax Profit</b>	21.0	37.0	(43.2)	80.0	110.6	(27.7)
<b>PATMI</b>	15.1	31.0	(51.3)	63.6	87.5	(27.3)
<b>PATMI Margin</b>	3.7%	8.3%	(4.6pp)	5.6%	8.3%	(2.7pp)
<b>Basic EPS (RMB cents)</b>	2.04	4.21	(51.5)	8.63	11.86	(27.2)

pp: percentage point

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# Balance Sheet Summary

RMB million	3Q2017 With financial effects of CB	3Q2017 Without financial effects of CB	3Q2016
<b>Cash and cash equivalents</b>	946.5	946.5	116.2
<b>Trade Receivables</b>	1,194.2	1,194.2	1,313.8
<b>Inventories</b>	342.2	342.2	225.1
<b>Total Current Assets</b>	2,911.7	2,911.7	1,844.1
<b>Non Current Assets</b>	1,359.6	1,359.6	938.0
<b>Short-term Borrowings</b>	370.0	370.0	358.9
<b>Current Liabilities</b>	1,692.4	1,681.7	1,633.6
<b>Long-term Borrowings</b>	624.0	624.0	54.0
<b>Convertible bonds liability</b>	344.3	403.9	-
<b>Financial liability derivative</b>	320.9	327.7	-
<b>Equity attributable to equity holders of the Company</b>	1,232.4	1,176.6	1,061.3
<b>Total equity</b>	1,272.0	1,216.1	1,086.1

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# Cash Flow Summary

## With financial effects of Convertible Bonds

RMB (million)	3Q2017	3Q2016	9M2017	9M2016
Net cash (used in)/ generated from operating activities	(43.2)	156.8	54.8	255.9
Net cash (used in) investing activities	(106.9)	(222.9)	(533.6)	(485.7)
Net cash (used in)/ from financing activities	(10.3)	(34.0)	1,144.1	(51.5)

## Without financial effects of Convertible Bonds

RMB (million)	3Q2017	3Q2016	9M2017	9M2016
Net cash (used in)/ generated from operating activities	(43.2)	156.8	10.2	255.9
Net cash (used in) investing activities	(106.9)	(222.9)	(533.6)	(485.7)
Net cash (used in)/ from financing activities	(10.3)	(34.0)	1,144.1	(51.5)

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Q&A

**Thank you!**