

## SUNPOWER GROUP LTD.

### Unaudited Financial Statements for the First Quarter Ended 31 March 2014

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2014

(RMB'000)	First quarter ended		% change
	31 March 2014	31 March 2013	
<b>Revenue</b>	257,963	215,870	19.5
Cost of sales	(196,876)	(166,658) *	18.1
<b>Gross profit</b>	<b>61,087</b>	<b>49,212</b>	24.1
Other operating income <sup>(1)</sup>	2,918	2,321	25.7
Selling and distribution expenses	(8,053)	(7,604)	5.9
Administrative expenses	(30,809)	(30,493) *	1.0
Other operating expenses	(4,629)	(100) *	n.m.
Finance costs	(7,208)	(7,449)	(3.2)
<b>Profit before income tax</b>	<b>13,306</b>	<b>5,887</b>	126.0
Income tax expense	(2,707)	(2,520)	7.4
<b>Profit for the period representing total comprehensive income for the period</b>	<b>10,599</b>	<b>3,367</b>	214.8
Total comprehensive income for the period attributable to:			
Equity holders of the Company	11,439	4,679	144.5
Non-controlling interest	(840)	(1,312)	(36.0)
<b>Profit for the financial period</b>	<b>10,599</b>	<b>3,367</b>	214.8

*n.m. – not meaningful*

\* Certain reclassifications have been made to the prior quarter's figures to enhance comparability with the current quarter's figures as the Group has considered that it is more appropriate to classify the impairment allowance on inventories as part of cost of sales and the impairment allowance on trade and non-trade receivables as part of other operating expenses.

As a result, certain line items have been amended in the statement of comprehensive income with the comparative figures adjusted to conform to the current quarter's presentation.

**1(a)(ii) Other information:****Note 1:**

(RMB'000)	First quarter ended		% change
	31 March 2014	31 March 2013	
Depreciation expense	6,037	4,864	24.1
Interest expense	7,208	7,449	(3.2)
Amortisation of land use rights	353	340	3.8
Amortisation of intangible assets	680	74	818.9
Impairment (reversal of) allowance on inventories	626	(149)	(520.1)
Impairment (reversal of) allowance on trade receivables	4,529	(167)	n.m.
(Gain) loss on disposal of property, plant and equipment	(3)	24	(112.5)

Other operating income comprises:

(RMB'000)	First quarter ended		% change
	31 March 2014	31 March 2013	
Government grant	2,255	1,445	56.1
Interest income	344	648	(46.9)
Others	319	61	423.0
Reversal of allowance on trade receivables	-	167	n.m.
Total	2,918	2,321	25.7

*n.m.* – not meaningful

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**UNAUDITED STATEMENT OF FINANCIAL POSITION**

(RMB'000)	Group		Company	
	(Unaudited) 31 March 2014	(Audited) 31 December 2013	(Unaudited) 31 March 2014	(Audited) 31 December 2013
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	132,867	118,798	22	23
Pledged bank deposits	69,458	74,377	-	-
Trade receivables	1,005,904	1,162,734	-	-
Other receivables, deposits and prepayments	82,053	81,241	133	133
Inventories	310,754	252,257	-	-
Land use rights	1,412	1,412	-	-
Total current assets	1,602,448	1,690,819	155	156
<b>Non-current assets:</b>				
Land use rights	48,657	49,010	-	-
Property, plant and equipment	286,971	276,761	-	-
Investment in subsidiaries	-	-	160,984	160,984
Intangible assets	10,594	11,274	-	-
Deferred tax assets	11,421	10,208	-	-
Total non-current assets	357,643	347,253	160,984	160,984
<b>Total assets</b>	<b>1,960,091</b>	<b>2,038,072</b>	<b>161,139</b>	<b>161,140</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Trade payables	757,227	812,157	-	-
Other payables	114,145	172,283	64,403	61,935
Borrowings	465,928	439,120	-	-
Income tax payable	12,849	15,246	-	-
Total current liabilities	1,350,149	1,438,806	64,403	61,935
<b>Non-current liability:</b>				
Deferred tax liabilities	2,564	2,487	-	-
<b>Capital and reserves:</b>				
Share capital	27,230	27,230	27,230	27,230
Share premium	35,275	35,275	35,275	35,275
General reserves	48,132	46,567	-	-
Accumulated profits	475,762	465,888	34,231	36,700
<b>Equity attributable to equity holders of the Company</b>	<b>586,399</b>	<b>574,960</b>	<b>96,736</b>	<b>99,205</b>
Non-controlling interest	20,979	21,819	-	-
Total equity	607,378	596,779	96,736	99,205
<b>Total liabilities and equity</b>	<b>1,960,091</b>	<b>2,038,072</b>	<b>161,139</b>	<b>161,140</b>

## 1(b)(ii) Aggregate amount of group borrowings and debt securities

### Amount repayable in one year or less, or on demand

(RMB'000)	As at 31 March 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Borrowings	135,000	330,928	139,000	300,120

### Amount repayable after one year

(RMB'000)	As at 31 March 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	-	-

### Details of any collaterals:

<u>Collaterals</u>	31 March 2014	31 December 2013
	RMB'000	RMB'000
Bills payables	50,000	54,000
Land use rights and buildings of a subsidiary	85,000	85,000

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

RMB'000	First quarter ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
<b>Operating activities</b>		
Profit before income tax	13,306	5,887
Adjustments for:		
Depreciation expense	6,037	4,864
Interest expense	7,208	7,449
Amortisation of land use rights	353	340
Amortisation of intangible assets	680	74
(Gain) loss on disposal of property, plant and equipment	(3)	24
Impairment (reversal of) allowance on inventories	626	(149)
Interest income	(344)	(648)
Impairment (reversal of) allowance on trade receivables	4,529	(167)
Operating cash flows before movements in working capital	32,392	17,674
Trade receivables	152,301	(11,724)
Other receivables and prepayments	(812)	(22,971)
Inventories	(59,123)	(23,248)
Trade payables	(54,930)	74,009
Other payables	(23,927)	(13,469)
Cash generated from operations	45,901	20,271
Income tax paid	(6,239)	(5,138)
Interest received	344	648
Interest paid	(8,344)	(6,453)
Net cash generated from operating activities	31,662	9,328
<b>Investing activities</b>		
Purchase of property, plant and equipment	(41,225)	(17,701)
Purchase of land use rights	(8,098)	-
Acquisition of intangible asset	-	(843)
Proceeds from disposal of property, plant and equipment	3	9
Net cash used in investing activities	(49,320)	(18,535)
<b>Financing activities</b>		
Proceeds from new borrowings	71,906	82,331
Pledged bank deposits	4,919	(14,637)
Repayment of borrowings	(45,098)	(70,000)
Net cash from (used in) financing activities	31,727	(2,306)
Net increase (decrease) in cash and cash equivalents	14,069	(11,513)
Cash and cash equivalents at beginning of year	118,798	142,409
<b>Cash and cash equivalents at end of period</b>	<b>132,867</b>	<b>130,896</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	Share capital	Share premium	General reserves	Accumulated profits	Equity attributable to equity holders of the Company	Non-controlling interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>39,102</b>	<b>421,998</b>	<b>523,605</b>	<b>24,920</b>	<b>548,525</b>
Total comprehensive income for January to March 2013	-	-	-	4,679	4,679	(1,312)	3,367
Transfer to general reserves	-	-	469	(469)	-	-	-
<b>Balance at 31 March 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>39,571</b>	<b>426,208</b>	<b>528,284</b>	<b>23,608</b>	<b>551,892</b>
Total comprehensive income for April to December 2013	-	-	-	49,142	49,142	(1,789)	47,353
Dividends paid	-	-	-	(2,466)	(2,466)	-	(2,466)
Transfer to general reserves	-	-	6,996	(6,996)	-	-	-
<b>Balance at 31 December 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>46,567</b>	<b>465,888</b>	<b>574,960</b>	<b>21,819</b>	<b>596,779</b>
Total comprehensive income for January to March 2014	-	-	-	11,439	11,439	(840)	10,599
Transfer to general reserves	-	-	1,565	(1,565)	-	-	-
<b>Balance at 31 March 2014</b>	<b>27,230</b>	<b>35,275</b>	<b>48,132</b>	<b>475,762</b>	<b>586,399</b>	<b>20,979</b>	<b>607,378</b>

<u>Company</u>	<u>Share capital</u> RMB'000	<u>Share premium</u> RMB'000	<u>Accumulated profits</u> RMB'000	<u>Total</u> RMB'000
<b>Balance at 1 January 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>40,708</b>	<b>103,213</b>
Total comprehensive income for January to March 2013	-	-	(2,553)	(2,553)
<b>Balance at 31 March 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>38,155</b>	<b>100,660</b>
Total comprehensive income for April to December 2013	-	-	1,011	1,011
Dividends paid	-	-	(2,466)	(2,466)
<b>Balance at 31 December 2013</b>	<b>27,230</b>	<b>35,275</b>	<b>36,700</b>	<b>99,205</b>
Total comprehensive income for January to March 2014	-	-	(2,469)	(2,469)
<b>Balance at 31 March 2014</b>	<b>27,230</b>	<b>35,275</b>	<b>34,231</b>	<b>96,736</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no new shares issued for the financial period ended 31 March 2014 and 31 March 2013 and no outstanding convertibles or treasury shares held as at 31 March 2014 and 31 December 2013.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total issued shares as at 31 March 2014, 31 December 2013 and 31 March 2013 is 329,000,000 ordinary shares of US\$0.01 each fully paid.

There were no shares held as treasury shares as at 31 March 2014, 31 December 2013 and 31 March 2013.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.



**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2014. The adoption of the new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

Not applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

- (a) Based on the weighted average number of ordinary shares on issue; and
- (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	First quarter ended	
	31 March 2014	31 March 2013
Earnings per share – basic (RMB cents)	3.48	1.42

Basic earnings per share for the first quarter ended 31 March 2014 and 31 March 2013 have been calculated based on the issued share capital of 329,000,000 ordinary shares of US\$0.01 each.

Diluted earnings per share for the above periods have not been calculated as no diluting events have occurred during these periods.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Net asset value per share (RMB cents)	178.24	174.76	29.40	30.15

The net asset value per share for 31 March 2014 and 31 December 2013 have been computed based on shareholders' equity as at these dates and existing share capital of 329,000,000 ordinary shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**The Group's performance for the first quarter ended 31 March 2014 ("1Q2014") as compared to that of the first quarter ended 31 March 2013 ("1Q2013")**

Revenue

The Group's revenue surged by 19.5% or RMB 42.1 million from RMB 215.9 million in 1Q2013 to RMB 258.0 million in 1Q2014. This was attributable to the increase in revenue generated mainly from the Energy Saving and Environmental Protection segment of RMB 85.1 million, which offset the decrease in revenue from the Heat Exchangers and Pressure Vessels segment of RMB 44.4 million. In particular, with reference to the announcements dated 23 November 2012, 17 January 2013, 4 March 2014 and 17 March 2014 in response to SGX's queries on the unaudited Financial Statements for the third quarter ended 30 September 2012, the Group had recognized revenue for the one-off sale of equipment to this customer. This also had contributed significantly to the improvement to the gross profit in 1Q2014.

Gross Profit

Gross profit improved by approximately RMB 11.9 million or 24.1% from RMB 49.2 million in 1Q2013 to RMB 61.1 million in 1Q2014. Gross profit margin remained relatively constant at approximately 23% in both 1Q2013 and 1Q2014.

Profit before Income Tax

The Group posted a profit before income tax of RMB 13.3 million for 1Q2014, an increase of approximately RMB 7.4 million or 126.0% as compared to the preceding period mainly due to:

- (a) Improvement in gross profit particularly from the one-off sale of equipment as highlighted in the paragraph above and other operating income aggregating to RMB 12.5 million; offset by
- (b) Increase in other operating expenses of RMB 4.5 million mainly attributable to the increase in impairment allowance on trade receivables.

Income Tax Expense

Higher effective tax rate of 42.8% in 1Q2013 was mainly due to the loss incurred by a subsidiary in 1Q2013 which offset the taxable profit made by the Group.

### Profit for the Financial Period

In respect of the above, the Group's net profit attributed to the shareholders increased by RMB 6.8 million or 144.5% from RMB 4.7 million in 1Q2013 to RMB 11.4 million in 1Q2014.

- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### Review of the Group's Financial Position

The Group's total current assets decreased by RMB 88.4 million or 5.2% from 31 December 2013 to 31 March 2014 mainly due to:

- (a) Decrease in trade receivables of RMB 156.8 million arising mainly from better collections attributable to the conscientious efforts of management to follow up with its customers. For trade receivables as at 31 December 2013 and 31 March 2014, approximately 20.0% and 9% of the balance due were collected respectively as at 30 April 2014. Trade receivables remain the single largest asset class in the balance sheet accounting for approximately 51% of total assets at 31 March 2014 compared to 57% at 31 December 2013. Most of the trade receivables are from large companies that fall under state owned enterprises, listed companies and multi-national corporations. Overall the profile of the Group's customers are credit-worthy but payments remain slow due to tightening credit in China. From our past experience, the customers will eventually settle the outstanding balance with the Group and when this occurs, the impairment allowance on trade receivables will be written back to the income statement.
- (b) Decrease in pledged bank deposits of RMB 4.9 million, which was offset by
- (c) Increase in inventories of RMB 58.5 million due to increased raw materials and work-in-progress goods to cater to the projects on hand; and increase in cash and cash equivalents of RMB 14.1 million.

The Group's total current liabilities decreased by approximately RMB 88.7 million or 6.2% from RMB 1,438.8 million as at 31 December 2013 to RMB 1,350.1 million as at 31 March 2014 mainly due to:

- (a) Decrease in trade payables of RMB 54.9 million as a result of decrease in notes payables with recourse of RMB 66.7 million and notes payables to third parties of RMB 12.7 million offset by the increase in trade payables to third parties of RMB 31.6 million; and

- (b) Decrease in other payables of RMB 58.1 million, primarily due to the final payment of RMB 21.4 million for land use right and buildings which were purchased in 2010, payment for year-end bonus and value-added taxes and other tax liabilities of RMB 19.2 million and RMB 19.1 million respectively; and
- (c) Decrease in income tax payables of RMB 2.4 million; offset by
- (d) Increase in short-term borrowings by RMB 26.8 million for financing of working capital purposes.

#### **Review of the Group's Cash Flow Statement for the first quarter ended 31 March 2014**

Net cash generated from operating activities amounted to approximately RMB 31.6 million, primarily due to operating cash flows before movements in working capital of approximately RMB 32.4 million that were derived from:

- (a) Higher working capital requirements arising from the increase in inventories of RMB 59.1 million and the decrease in trade payables and other payables of RMB 78.9 million in aggregate;
- (b) Lower working capital requirements due to the decrease in trade receivables of RMB 152.3 million; and
- (c) Interest and tax paid of RMB 14.6 million in aggregate.

Net cash used in investing activities amounted to RMB 49.3 million mainly due to the purchase of property, plant and equipment and land use rights in view of expansion of the Group's activities.

Net cash inflows from financing activities amounted to RMB 31.7 million due to the net proceeds from bank borrowings of RMB 26.8 million and pledged bank deposits requirement of RMB 4.9 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The actual results are in line with the statement made in Section 10 of the result announcement with respect to the financial year ended 31 December 2013.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Proposed Placement of new shares which was announced on 23 April 2014 had received the approval in-principle from the SGX-ST for the listing and quotation of the Placement Shares on 6 May 2014 and the allotment was complete on 12 May 2014. After the close of the placement, the Company can expect fresh funding to support the Group's operations.

The global economy is gradually recovering in 1Q2014, and it still remains complex with many uncertainties. Even though China's economy grew by 7.4% which exceeded the forecast in 1Q2014, the economic downturn pressure still remains, along with the overcapacity and labor costs that may pose certain challenges to the Group's business.

However, barring any unforeseen circumstances, the Directors expect the Group to be profitable in FY2014.

**11. If a decision regarding dividend has been made:**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

None.

**(b) (i) Amount per share in cents  
(ii) Previous corresponding period in cents**

None.

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for the first quarter ended 31 March 2014.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have an Interested Person Transaction mandate.

**14. Negative Confirmation Pursuant to Rule 705(5).**

We do hereby confirm on behalf of the Board of Directors of the Company (“the Board”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the financial statements for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
**SUNPOWER GROUP LTD.**

Guo Hong Xin  
Executive Chairman

Ma Ming  
Executive Director

BY ORDER OF THE BOARD

Ma Ming  
Executive Director

12 May 2014