

SUNPOWER GROUP LTD.

Unaudited Financial Statements for the Second Quarter Ended 30 June 2016

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 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2016	30 June 2015	% change	30 June 2016	30 June 2015	% change
Revenue	392,628	348,333	12.7	684,017	568,376	20.3
Cost of sales	(290,208)	(280,230)	3.6	(511,284)	(442,550)	15.5
Gross profit	102,420	68,103	50.4	172,733	125,826	37.3
Other operating income	3,775	2,983	26.6	11,079	6,493	70.6
Selling and distribution expenses	(7,107)	(9,721)	(26.9)	(15,405)	(18,022)	(14.5)
Administrative expenses	(33,843)	(33,826)	0.1	(75,047)	(67,257)	11.6
Other operating expenses	(4,531)	(2,943)	54.0	(7,541)	(4,222)	78.6
Finance costs	(6,529)	(6,336)	3.0	(12,199)	(12,387)	(1.5)
Profit before income tax	54,185	18,260	196.7	73,620	30,431	141.9
Income tax expense	(9,106)	(3,058)	197.8	(13,287)	(5,615)	136.6
Profit for the period	45,079	15,202	196.5	60,333	24,816	143.1
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange difference on translation of foreign operation	17	(8)	312.5	34	-	n.m.
Total comprehensive income for the period	45,096	15,194	196.8	60,367	24,816	143.3
Profit for the period attributable to:						
Equity holders of the Company	40,451	15,167	166.7	56,471	25,564	120.9
Non-controlling interest	4,628	35	n.m.	3,862	(748)	(616.3)
Profit for the period	45,079	15,202	196.5	60,333	24,816	143.1
Total comprehensive income for the period attributable to:						
Equity holders of the Company	40,468	15,159	167.0	56,505	25,564	121.0
Non-controlling interest	4,628	35	n.m.	3,862	(748)	(616.3)
Profit for the period	45,096	15,194	196.8	60,367	24,816	143.3

1(a) (ii) Other information:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2016	30 June 2015		30 June 2016	30 June 2015	
Depreciation expense	7,041	5,133	37.2	15,432	11,909	29.6
Amortisation of land use rights	353	353	-	706	706	-
Amortisation of intangible assets	245	607	(59.6)	490	1,214	(59.6)
Impairment allowance on trade and non-trade receivables	3,707	2,714	36.6	6,499	3,889	67.1
Reversal of impairment allowance on trade and non-trade receivables	(493)	(1,312)	62.4	(6,327)	(3,603)	(75.6)
Reversal of impairment allowance on inventories	-	-	-	-	(153)	n.m.
Interest expense	6,529	6,336	3.0	12,199	12,387	(1.5)
Loss on disposal of property, plant and equipment	60	62	(3.2)	60	140	(57.1)
Employee share option expense	1,982	909	118.0	3,965	909	336.2
Foreign exchange gain/(loss) - net	3,645	(168)	n.m.	(1,594)	(313)	409.3

Note:

Other operating income comprises:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2016	30 June 2015		30 June 2016	30 June 2015	
Government grant	3,088	906	240.8	3,799	1,014	274.7
Interest income	60	508	(88.2)	334	1,471	(77.3)
Reversal of impairment allowance on trade and non-trade receivables	493	1,312	(62.4)	6,327	3,603	75.6
Others	134	257	(47.9)	619	405	52.8
Total	3,775	2,983	26.6	11,079	6,493	70.6

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 STATEMENTS OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) 30 June 2016	(Audited) 31 December 2015	(Unaudited) 30 June 2016	(Audited) 31 December 2015
ASSETS				
Current assets:				
Cash and cash equivalents	216,357	397,527	5,334	122,105
Pledged bank deposits	88,133	65,066	-	-
Trade receivables	1,269,779	1,261,959	-	-
Other receivables, deposits and prepayments	101,234	94,317	14,870	5,623
Inventories	231,750	234,823	-	-
Land use rights	1,412	1,412	-	-
Total current assets	1,908,665	2,055,104	20,204	127,728
Non-current assets:				
Land use rights	172,656	146,297	-	-
Property, plant and equipment	287,367	307,013	-	-
Investment in subsidiaries	-	-	331,484	218,944
Other receivables, deposits and prepayments	108,802	-	20,000	30,000
Intangible assets	134,704	2,534	-	-
Goodwill	5,483	5,483	-	-
Deferred tax assets	13,141	12,073	-	-
Total non-current assets	722,153	473,400	351,484	248,944
Total assets	2,630,818	2,528,504	371,688	376,672
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	899,711	871,721	-	-
Other payables	183,080	183,860	38,128	32,821
Borrowings	409,900	438,000	-	-
Income tax payable	21,464	18,094	-	-
Total current liabilities	1,514,155	1,511,675	38,128	32,821
Non-current liabilities:				
Deferred tax liabilities	8,355	8,071	-	-
Borrowings	54,000	16,000	-	-
Total non-current liabilities	62,355	24,071	-	-
Capital and reserves:				
Share capital	53,531	53,531	53,531	53,531
Share premium	266,938	266,938	266,938	266,938
General reserves	60,962	56,466	-	-
Share option reserve	8,862	4,897	8,862	4,897
Foreign currency translation reserve	145	111	-	-
Accumulated profits	637,819	590,126	4,229	18,485
Equity attributable to equity holders of the Company	1,028,257	972,069	333,560	343,851
Non-controlling interest	26,051	20,689	-	-
Total equity	1,054,308	992,758	333,560	343,851
Total liabilities and equity	2,630,818	2,528,504	371,688	376,672

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 30 June 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
Borrowings	115,000	294,900	90,000	348,000

Amount repayable after one year

(RMB'000)	As at 30 June 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	54,000	-	16,000

Details of any collaterals:

<u>Collaterals</u>	30 June 2016 RMB'000	31 December 2015 RMB'000
Bank deposit	25,000	50,000
Note payable	50,000	0
Land use rights and buildings of a subsidiary	40,000	40,000

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 SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016

(RMB'000)	Second quarter ended		Six months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Operating activities				
Profit before income tax	54,185	18,260	73,620	30,431
Adjustments for:				
Depreciation expense	7,041	5,133	15,432	11,909
Interest expense	6,529	6,336	12,199	12,387
Amortisation of land use rights	353	353	706	706
Amortisation of intangible assets	245	607	490	1,214
Loss on disposal of property, plant and equipment	60	62	60	140
(Reversal of) Impairment allowance on inventories	-	-	-	(153)
Interest income	(60)	(508)	(334)	(1,471)
Impairment allowance on trade and non-trade receivables-net	3,214	1,402	172	286
Employee share option expense	1,982	909	3,965	909
Operating cash flows before movements in working capital	73,549	32,554	106,310	56,358
Trade receivables	78,423	(50,032)	(7,992)	27,442
Other receivables, deposits and prepayments	8,283	2,187	(6,917)	(22,664)
Inventories	(17,668)	26,736	3,073	(7,351)
Trade payables	(55,317)	7,614	27,990	37,105
Other payables	26,770	12,280	(780)	(20,238)
Cash generated from operations	114,040	31,339	121,684	70,652
Income tax paid	(3,031)	(1,480)	(10,701)	(6,091)
Interest received	60	507	334	1,471
Interest paid	(6,529)	(6,336)	(12,199)	(12,387)
Net cash from operating activities	104,540	24,030	99,118	53,645
Investing activities				
Purchase of property, plant and equipment	(527)	(7,505)	(12,588)	(12,340)
Prepayment for projects	(37,169)	-	(92,100)	-
Acquisition of land use rights	(14,038)	-	(27,065)	-
Expenditure on intangible assets	(92,731)	-	(132,660)	-
Proceeds from disposal of property, plant and equipment	40	10	40	74
Net cash used in investing activities	(144,425)	(7,495)	(264,373)	(12,266)
Financing activities				
Proceeds from new borrowings	106,000	183,285	351,000	291,314
Contribution from non-controlling interest holders	1,500	-	1,500	-
Repayment of borrowings	(116,100)	(190,285)	(341,100)	(300,733)
Pledged bank deposits	(38,619)	9,399	(23,067)	13,225
Payment of dividend	(4,282)	(1,799)	(4,282)	(1,799)
Net cash (used in)/from financing activities	(51,501)	600	(15,949)	2,007
Net (decrease) / increase in cash and cash equivalents	(91,386)	17,135	(181,204)	43,386
Cash and cash equivalents at beginning of period	307,726	136,745	397,527	110,486
Effects of foreign exchange rate changes	17	(8)	34	-
Cash and cash equivalents at end of period	216,357	153,872	216,357	153,872

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Share Premium	General reserves	Share option reserve	Foreign currency translation reserve	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	RMB'000	RMB'000
Balance at 1 January 2015	31,281	75,379	51,642	-	(12)	515,254	673,544	21,998	695,542
<u>Total comprehensive income for January to March 2015</u>									
Profit for January to March 2015	-	-	-	-	-	10,397	10,397	(783)	9,614
Other comprehensive income for January to March 2015	-	-	-	-	8	-	8	-	8
Total	-	-	-	-	8	10,397	10,405	(783)	(9,622)
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserves	-	-	620	-	-	(620)	-	-	-
Total	-	-	620	-	-	(620)	-	-	-
Balance at 31 March 2015	31,281	75,379	52,262	-	(4)	525,031	683,949	21,215	705,164
<u>Total comprehensive income for April to June 2015</u>									
Profit for April to June 2015	-	-	-	-	-	15,168	15,168	35	15,203
Other comprehensive income for April to June 2015	-	-	-	-	(8)	-	(8)	-	(8)
Total	-	-	-	-	(8)	15,168	15,160	35	15,195
<u>Transactions with owners, recognised directly in equity</u>									
Dividend paid	-	-	-	-	-	(1,799)	(1,799)	-	(1,799)
Transfer to general reserves	-	-	768	-	-	(768)	-	-	-
Employee share option expenses	-	-	-	909	-	-	909	-	909
Total	-	-	768	909	-	(2,567)	(890)	-	(890)
Balance at 30 June 2015	31,281	75,379	53,030	909	(12)	537,632	698,219	21,250	719,469

<u>Group</u>	Share capital	Share premium	General reserves	Share option reserve	Foreign currency translation reserve	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	RMB'000	RMB'000
Balance at 1 July 2015	31,281	75,379	53,030	909	(12)	537,632	698,219	21,250	719,469
<u>Total comprehensive income for July to December 2015</u>									
Profit for July to December 2015	-	-	-	-	-	55,930	55,930	(561)	55,369
Other comprehensive income from July to December 2015	-	-	-	-	123	-	123	-	123
Total	-	-	-	-	123	55,930	56,053	(561)	55,492
<u>Transactions with owners, recognised directly in equity</u>									
Ordinary shares issued	22,250	191,559	-	-	-	-	213,809	-	213,809
Transfer to general reserve	-	-	3,436	-	-	(3,436)	-	-	-
Employee share option expenses	-	-	-	3,988	-	-	3,988	-	3,988
Total	22,250	191,559	3,436	3,988	-	(3,436)	217,797	-	217,797
Balance at 31 December 2015	53,531	266,938	56,466	4,897	111	590,126	972,069	20,689	992,758
<u>Total comprehensive income for January to March 2016</u>									
Profit for January to March 2016	-	-	-	-	-	16,020	16,020	(766)	15,254
Other comprehensive income for January to March 2016	-	-	-	-	17	-	17	-	17
Total	-	-	-	-	17	16,020	16,037	(766)	15,271
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserve	-	-	1,055	-	-	(1,055)	-	-	-
Employee share option expenses	-	-	-	1,983	-	-	1,983	-	1,983
Total	-	-	1,055	1,983	-	(1,055)	1,983	-	1,983
Balance at 31 March 2016	53,531	266,938	57,521	6,880	128	605,091	990,089	19,923	1,010,012

<u>Group</u>	Share capital	Share premium	General reserves	Share option reserve	Foreign currency translation reserve	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	RMB'000	RMB'000
Balance at 1 April 2016	53,531	266,938	57,521	6,880	128	605,091	990,089	19,923	1,010,012
<u>Total comprehensive income for April to June 2016</u>									
Profit for April to June 2016	-	-	-	-	-	40,451	40,451	4,628	45,079
Other comprehensive income for April to June 2016	-	-	-	-	17	-	17	-	17
Total	-	-	-	-	17	40,451	40,468	4,628	45,096
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserve	-	-	3,441	-	-	(3,441)	-	-	-
Dividend paid	-	-	-	-	-	(4,282)	(4,282)	-	(4,282)
Contribution from non-controlling interest holders	-	-	-	-	-	-	-	1,500	1,500
Employee share option expenses	-	-	-	1,982	-	-	1,982	-	1,982
Total	-	-	3,441	1,982	-	(7,723)	(2,300)	1,500	(800)
Balance at 30 June 2016	53,531	266,938	60,962	8,862	145	637,819	1,028,257	26,051	1,054,308

<u>Company</u>	<u>Share capital</u> RMB'000	<u>Share premium</u> RMB'000	<u>Share option reserve</u> RMB'000	<u>Accumulated profits</u> RMB'000	<u>Equity attributable to equity holders of the Company</u> RMB'000	<u>Total</u> RMB'000
Balance at 1 January 2015	31,281	75,379	-	30,948	137,608	137,608
Loss for the period, representing total comprehensive loss for January to March 2015	-	-	-	(1,775)	(1,775)	(1,775)
Balance at 31 March 2015	31,281	75,379	-	29,173	135,833	135,833
Loss for the period, representing total comprehensive loss for April to June 2015	-	-	-	(2,197)	(2,197)	(2,197)
<u>Transactions with owners, recognised directly in equity</u>						
Employee share option expenses	-	-	909	-	909	909
Dividends paid	-	-	-	(1,799)	(1,799)	(1,799)
Total	-	-	909	(1,799)	(890)	(890)
Balance at 30 June 2015	31,281	75,379	909	25,177	132,746	132,746
Loss for the period, representing total comprehensive income for July to December 2015	-	-	-	(6,692)	(6,692)	(6,692)
<u>Transactions with owners, recognised directly in equity</u>						
Ordinary shares issued	22,250	191,559	-	-	213,809	213,809
Employee share option expenses	-	-	3,988	-	3,988	3,988
Dividends paid	-	-	-	-	-	-
Total	22,250	191,559	3,988	-	217,797	217,797
Balance at 31 December 2015	53,531	266,938	4,897	18,485	343,851	343,851
Loss for the period, representing total comprehensive loss for January to March 2016	-	-	-	(3,935)	(3,935)	(3,935)
<u>Transactions with owners, recognised directly in equity</u>						
Employee share option expenses	-	-	1,983	-	1,983	1,983
Total	-	-	1,983	-	1,983	1,983
Balance at 31 March 2016	53,531	266,938	6,880	14,550	341,899	341,899
Loss for the period, representing total comprehensive loss for April to June 2016	-	-	-	(6,039)	(6,039)	(6,039)
<u>Transactions with owners, recognized directly in equity</u>						
Employee share option expenses	-	-	1,982	-	1,982	1,982
Dividends paid	-	-	-	(4,282)	(4,282)	(4,282)
Total	-	-	1,982	(4,282)	(2,300)	(2,300)
Balance at 30 June 2016	53,531	266,938	8,862	4,229	333,560	333,560

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.

On 19 May 2015, the Group granted a total of 59,220,000 share options at an exercise price of S\$0.116. The options will vest at the end of two years from 19 May 2015 and exercisable eight years from date of vesting. The total number of share options granted constitutes approximately 15% of the Company's issued share capital of 394,800,000 shares as at 30 June 2015.

On 30 December 2015, the Group completed the placement of an aggregate of 342,857,142 new ordinary shares at an offer price of S\$0.14. The total number of placement shares issued represented approximately 46% of the Company's issued share capital of 737,657,142 shares as at 31 December 2015.

There was no change in share capital during second quarters ended 30 June 2016 and 30 June 2015.

There were no outstanding convertibles or treasury shares held as at 30 June 2016 and 31 December 2015.

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 30 June 2016 and 31 December 2015 is 737,657,142 ordinary shares, while the total issued shares as at 30 June 2015 is 394,800,000 ordinary shares.

There were no shares held as treasury shares as at 30 June 2016, 31 December 2015 and 30 June 2015.

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 same accounting policies and methods of computation used in the 31 December 2015 audited financial statements have been applied.

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

	Second quarter ended		Half year ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Net profit attributable to equity holders of the Group (RMB'000)	40,451	15,167	56,471	25,564
Weighted average number of ordinary shares outstanding ('000)	737,657	394,800	737,657	394,800
Earnings per share – basic (RMB cents)	5.48	3.84	7.66	6.48

Basic earnings per share for second quarter and half year ended 30 June 2016 and 30 June 2015 have been calculated based on the issued share capital of 737,657,142 and 394,800,000 ordinary shares respectively.

6 (b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Second quarter ended		Half year ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Net profit attributable to equity holders of the Group (RMB'000)	40,451	15,167	56,471	25,564
Weighted average number of ordinary shares outstanding ('000)	796,877	418,257	796,877	406,387
Earnings per share – diluted (RMB cents)	5.08	3.63	7.09	6.29

Diluted earnings per share for the above periods have been calculated assuming the share options granted have been exercised during 2Q2016.

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	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Net asset value per share (RMB cents)	139.39	131.78	45.22	46.61

The net asset value per share for 30 June 2016 and 31 December 2015 have been computed based on shareholders' equity as at these dates and the existing share capital of 737,657,142 ordinary shares as at 30 June 2016 and 31 December 2015.

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 second quarter ended 30 June 2016 ("2Q2016") as compared to that of the second quarter ended 30 June 2015 ("2Q2015")

Revenue

The Group's revenue increased by approximately RMB 44.3 million or 12.7% from RMB 348.3 million in 2Q2015 to RMB 392.6 million in 2Q2016. This was attributed to an aggregate increase of RMB 57.8 million from the EPC Integrated Solutions segment. The increase was offset by an

aggregate decrease of RMB 13.5 million from Environmental Equipment Manufacturing (EEM) segment.

Gross Profit

Gross profit increased by approximately RMB 34.3 million or 50.4% from RMB 68.1 million in 2Q2015 to RMB 102.4 million in 2Q2016. Gross profit margin increased from 19.6% for 2Q2015 to 26.1% for 2Q2016 mainly due to higher gross margin achieved by both the EEM segment and EPC Integrated Solutions segment.

Profit before Income Tax

The Group's profit before tax increased by RMB 35.9 million or 196.7% from RMB 18.3 million in 2Q2015 to RMB 54.2 million in 2Q2016. The increase was mainly attributable to increase in the gross profit of RMB 34.3 million.

Income Tax Expense

The effective income tax rate remained stable at approximately 16.8% and 16.7% for 2Q2016 and 2Q2015 respectively.

Profit for the Financial Period

In respect of the above, the Group's net profit attributable to the shareholders increased by RMB 25.3 million or 166.7% from RMB 15.2 million in 2Q2015 to RMB 40.5 million in 2Q2016.

(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 146.4 million or 7.1% from RMB 2,055.1 million as at 31 December 2015 to RMB 1,908.9 million as at 30 June 2016 mainly due to a decrease in cash and cash equivalents of RMB 158.1 million, as funds from share placement in December 2015 were largely used for green investment projects during the six months ended 30 June 2016.

The above decrease was partly offset by the following:

- (a) Increase in trade receivables of RMB 7.8 million arising mainly from increase in notes receivables with recourse of RMB 88.4 million which was offset against the decrease in trade receivables of RMB 24.5 million and decrease in note receivables from third parties of RMB 56.1 million.

Approximately 38.5% and 4.2% of the trade receivables at 31 December 2015 and 30 June 2016 respectively were collected as at 31 July 2016. 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.

The Group's total non-current assets increased by RMB 248.8 million from RMB 473.4 million as at 31 December 2015 to RMB 722.2 million as at 30 June 2016 mainly due to:

- (a) Increase in other receivables, deposits and prepayments of RMB 108.8 million resulting from prepayments made to subcontractors for work done for the "BOT, BOO, TOT" projects on hand as at 30 June 2016;
- (b) The increase in intangible assets of RMB 132.2 million due to service concession arrangements relating to "BOT, BOO, TOT" projects on hand which construction work has commenced during the 2Q2016.
- (c) Increase in land use rights of RMB 26.4 million, which is mainly caused by the extension of the business scale and new "BOT, BOO, TOT" projects.

The Group's total current liabilities increased by RMB 2.5 million or 0.2% from RMB 1,511.7 million as at 31 December 2015 to RMB 1,514.2 million as at 30 June 2016. The increase was mainly due to an increase in trade payables of RMB 28.0 million.

Review of the Group's cash flow statement for the second quarter ended 30 June 2016

Net cash generated from operating activities amounted to approximately RMB 104.5 million, primarily due to operating cash flows before movements in working capital of approximately RMB 73.5 million that were derived from:

- (a) Lower working capital requirements arising from the decrease in trade receivables and other receivables, deposits and prepayments of RMB 78.4 million and RMB 8.3 million respectively and increase in other payables of RMB 26.8 million;
- (b) Higher working capital requirements due to the increase in inventories of RMB 17.7 million as well as decrease in trade payables of RMB 55.3 million; and
- (c) Interest on bank borrowings and income tax paid of RMB 9.5 million in aggregate.

Net cash used in investing activities amounted to RMB 144.4 million mainly as a result of the prepayments for projects, expenditure on intangible assets and acquisition of land use rights.

Net cash used in financing activities amounted to RMB 51.5 million due to cash outflow arising from the repayment of borrowings and pledged bank deposits of RMB 116.1 million and RMB 38.6 million respectively and payment of dividends of RMB 4.3 million, which was offset by the proceeds of borrowings of RMB 106.0 million.

Use of Proceeds

The net proceeds raised from the placement completed on 30 December 2015 ("Placement Proceeds") amounted to approximately S\$46.6 million (equivalent to RMB 213.89 million) (after deducting estimated costs and expenses of approximately S\$1.4 million (equivalent to RMB 6.43 million)).

As of 31 July 2016, the Company has utilised RMB 213.72 million (approximately S\$46.56 million) of the Placement Proceeds comprising RMB 170.22 million (approximately S\$37.08 million) for the Changrun Project, RMB 15.00 million (approximately S\$3.27 million) for Quanjiao Project and RMB 28.5 million (approximately S\$6.21 million) for the Lianshui Project.

Project	Use of Placement Proceeds	Amount ⁽¹⁾
Changrun	Registered capital, purchase of land and payment to suppliers in respect of the Changrun Project.	RMB170.22 million (approximately S\$37.08 million)
Lianshui	Registered capital, including purchase of land and payment to suppliers in respect of the Lianshui Project.	RMB28.50 million (approximately S\$6.21 million)
Quanjiao	Registered capital, including purchase of land and payment to suppliers in respect of the Quanjiao Project.	RMB15.00 million (approximately S\$3.27 million)
Total Placement Proceeds utilised		RMB213.72 million (approximately S\$46.56 million)
Balance of Placement Proceeds available for use		RMB0

(1) Based on the exchange rate of RMB4.59:S\$1.

Each of the above utilisation of Placement Proceeds is consistent with the intended use as disclosed in the Company's circular to shareholders dated 20 November 2015.

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

There is no variance between the actual results and the forecast, or prospect statement previously disclosed to shareholders.

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.

Despite facing uncertain global conditions and the slowing down of the Chinese economy in 2Q2016, the Group achieved a 12.7% and 166.7% growth in revenue and net profit attributable to shareholders respectively which are mainly due to the increased EPC revenue from secured centralized steam and electricity BOO /BOT project.

Amidst the complex international environment and domestic downward pressure in the first half of the year, China's economy has slowed down and is maintaining a GDP growth of 6.7% year-on-year in the first half of this year. From the perspective of industrial development, the investments in environmental and public facility management increased 26.7% in the first half of this year. The global economy remains uncertain for the rest of the year, posing challenges to the Group's business.

According to the 2015 Environment Condition Communiqué recently released by the Ministry of Environmental Protection (MEP), only 73 of 338 Chinese cities subject to air quality monitoring met the national standard for clean air in 2015. In order to tackle air pollution, a number of policies and measures which target at reducing pollution emission and promoting alternative energy production had been implemented. The government would push for cleaner and greener growth despite the slowing economy which would benefit the Group's investment in green energy.

Going forward, the Group will continue to adopt its strategy in Green Investment, EPC integrated Solutions and Environmental Equipment Manufacturing segments. The Group will focus on the Green Investment segment to benefit from the government's environmental policies and regulations, and continue to generate EPC income from BOO/BOT/TOT projects and provide stable and recurring income for the long term, which will eventually enhance the quality of the Group's earnings and improve shareholders' value.

The total orders on hand amounted to approximately RMB 1.08 billion as at 30 June 2016. Barring any unforeseen circumstances, the Directors expect the Group to be profitable for FY2016.

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 second quarter ended 30 June 2016.

- 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 second quarter ended 30 June 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in [Appendix 7.7](#)) under [Rules 720\(1\)](#).

The Company has obtained undertakings from all directors and executive officers.

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

Ma Ming
Executive Director

Jiang Ning
Lead Independent Director

BY ORDER OF THE BOARD

Ma Ming
Executive Director

3 August 2016