

# SUNPOWER GROUP LTD.

Corporate Presentation  
August 2017

# Agenda



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**Executive Summary**

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**Business Overview**

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**2Q&1H 2017 Financial Performance**

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**Future Plans**

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**Questions and Answers**

- ❑ 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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# Profit & Loss Highlights

RMB (million)	Actual (with financial effects of Convertible Bonds)				Actual (without financial effects of Convertible Bonds)			
	2Q2017	2Q2016	1-2Q2017	1-2Q2016	2Q2017	2Q2016	1-2Q2017	1-2Q2016
Revenue	375.9	392.6	719.1	684.0	375.9	392.6	719.1	684.0
Gross profit	84.7	102.4	171.4	172.7	84.7	102.4	171.4	172.7
<i>Gross profit margin</i>	22.5%	26.1%	23.8%	25.2%	22.5%	26.1%	23.8%	25.2%
Profit attributable to shareholders	32.0	40.5	(51.5)	56.5	22.9	40.5	48.6	56.5
<i>PATMI margin</i>	8.5%	10.3%	(7.2%)	8.3%	6.1%	10.3%	6.8%	8.3%
Basic Earnings per share (RMB cents) **	4.3	5.5	(7.0)	7.7	3.1	5.5	6.6	7.7

pp: percentage points

\*\* Calculated based on weighted average of 737,657,000 ordinary shares for 2Q2017 and 2Q2016

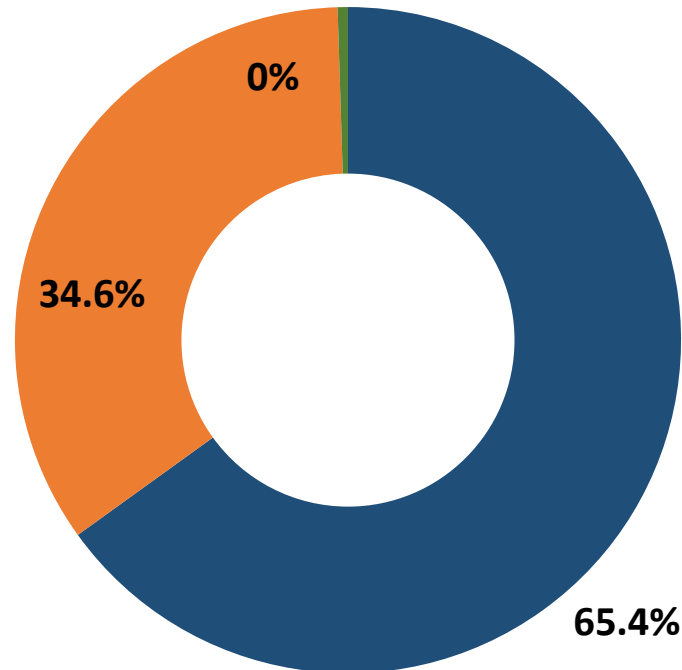
## Profit & Loss Highlights (With financial effects of Convertible Bonds)

- 1 The Group's revenue decreased by approximately RMB 16.7 million or 4.3% from RMB 392.6 million in 2Q2016 to RMB 375.9 million in 2Q2017. This was attributed to an aggregate decrease of RMB 46.3 million from the EPC Integrated Solutions segment. The decrease was offset by an aggregate increase of RMB 29.6 million from Environmental Equipment Manufacturing (EEM) segment.
- 2 Gross profit decreased by approximately RMB 17.7 million or 17.3% from RMB 102.4 million in 2Q2016 to RMB 84.7 million in 2Q2017. Gross profit margin decreased from 26.1% for 2Q2016 to 22.5% for 2Q2017 mainly due to increased competition and higher raw material price in the EEM segment.
- 3 The Group's net profit attributable to the shareholders decreased by RMB 8.5 million or 20.9% from RMB 40.5 million in 2Q2016 to RMB 32.0 million in 2Q2017.

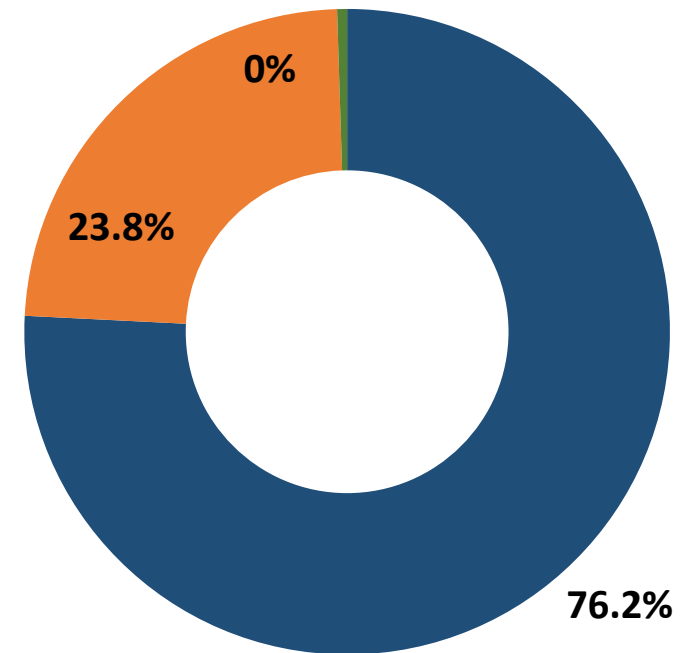


# Revenue Composition

- Environmental equipment manufacturing
- EPC integrated solutions
- Green investments



2Q2016



2Q2017

# Balance Sheet Summary

RMB (million)	Actual (With financial effects of Convertible Bonds)			Actual (Without financial effects of Convertible Bonds)		
	FY2016	2Q2017	% Change	FY2016	2Q2017	% Change
Trade Receivables	1,018.3	1,113.2	9.3%	1,018.3	1,113.2	9.3%
Inventories	209.8	252.9	20.5%	209.8	252.9	20.5%
Total Current Assets	1,699.9	2,827.6	66.3%	1,699.9	2,827.6	66.3%
Non Current Assets	1,083.3	1,306.2	20.6%	1,083.3	1,306.2	20.6%
Current Liabilities	1,466.4	1,563.3	6.8%	1,466.4	1,557.1	6.2%
Equity	1,143.7	1,103.4	-3.5%	1,143.7	1,203.5	5.2%
Total Liabilities & Equity	2,783.2	4,133.8	48.5%	2,783.2	4,133.8	48.5%

The Group's total current assets increased by RMB 1,127.7 million or 66.3% from RMB 1,699.9 million as at 31 December 2016 to RMB 2,827.6 million as at 30 June 2017 mainly due:

- 1 Increase in cash and cash equivalents of RMB 825.7 million, primarily due to the issuance of Convertible Bonds.
- 2 Increase in trade receivables of RMB 94.9 million arising mainly from increase in trade receivables of RMB 97.1 million which was offset against the decrease in notes receivables with recourse of RMB 2.7 million.
- 3 Increase in pledged bank deposits of RMB 23.3 million as more collaterals were required for the credit facilities granted.
- 4 Increase in other receivables, deposits and prepayments of RMB 140.4 million resulting from increased advance payment for purchases to fulfil the orders on hand and taxes deductible arising from the construction of "BOT, BOO, TOT" projects.
- 5 Increase in inventories of RMB 43.1 million primarily due to an aggregate increase in finished goods and raw materials and consumables of RMB 37.9 million for project use.

The Group's total current liabilities increased by RMB 96.9 million or 6.6% from RMB 1,466.4 million as at 31 December 2016 to RMB 1,563.3 million as at 30 June 2017 mainly due to:

- 1 Increase in trade payables of RMB 131.6 million as a result of the increase in customer advances of RMB 74.2 million and increase in notes payable to third parties of RMB 43.3 million respectively;

The above increase was mitigated by:

- 2 Decrease in short term borrowings of RMB 17.5 million; and
- 3 Decrease in other payables of RMB 19.4 million primarily due to the decrease in accrued payroll costs of RMB 14.1 million.

# Cash Flow Highlights

RMB (million)	Actual( With financial effects of Convertible Bonds)		Actual( Without financial effects of Convertible Bonds)	
	2Q2016	2Q2017	2Q2016	2Q2017
From Operating Activities	104.5	90.7	104.5	90.7
From Investing Activities	-142.9	-285.4	-142.9	-285.4
From Financing Activities	-53.0	67.4	-53.0	67.4
Cash & Cash Equivalents	216.4	1,107.0	216.4	1,107.0

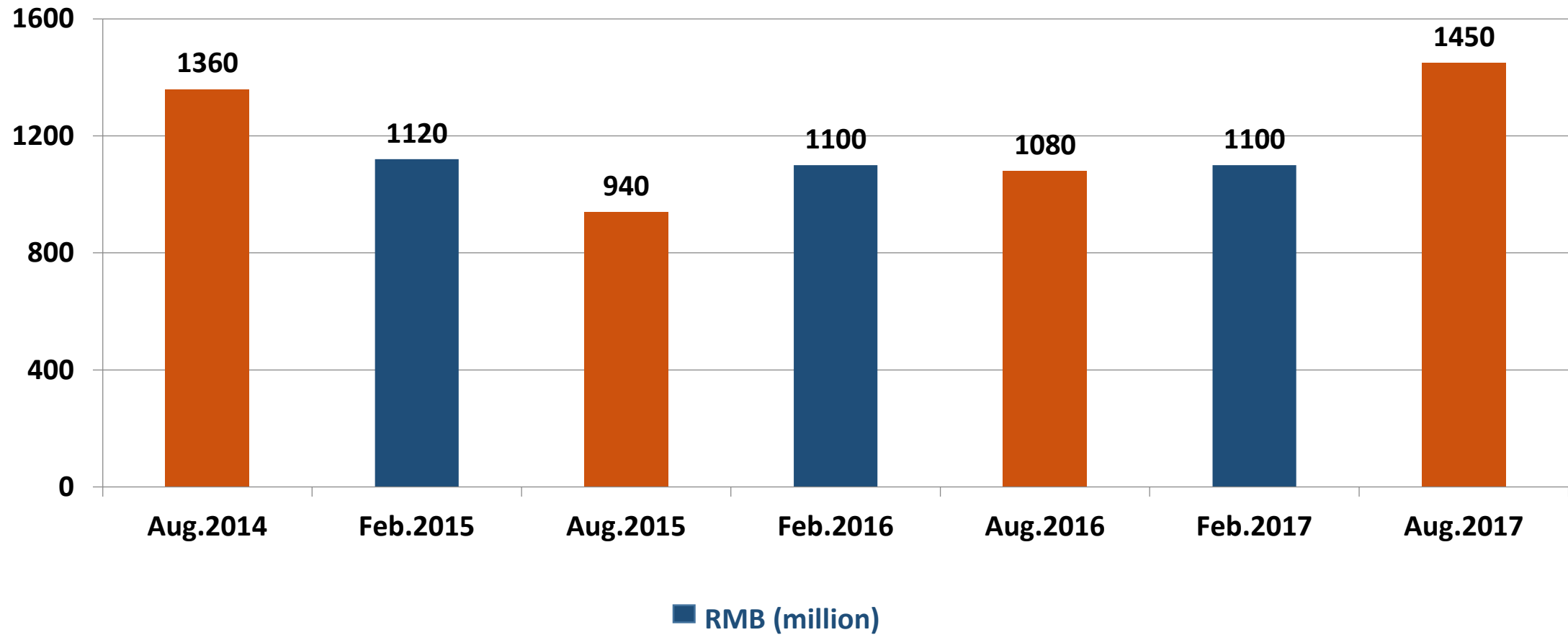
Convertible Bonds were issued on 3 March 2017 with the carrying amount of the Convertible Bonds currently stated at fair value as at 31 March 2017. In accordance with Singapore Financial Reporting standards associated with the issuance of compound financial instruments, fair value change will affect the statement of profit and loss arising from 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.

The fair value change of the Convertible Bonds and the related financial effects to the statement of profit or loss and other statements have no operational effects to the financial performance of the Group.

Financial effects of Convertible Bonds consist of unrealised foreign exchange translation, amortised interest expenses (inclusive of interest charges) and fair value gain/ (loss) of Convertible Bonds.

**Excluding the financial effects of the Convertible Bonds, net profit attributable to equity holders of the Company decreased by RMB 16.9 million or 41.8% from RMB 40.5 million in 2Q2016 to RMB 23.6 million in 2Q2017.**

# Order Book Update



# Robust Pipeline for Green Investments Projects with Good ROI

Project Names	Nature	Annual Designed Capacity	Estimated Investment Size (RMB mn)	Update	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	817	Trial operation in 2Q 2017	23-Dec-2015
Jiangsu LianShui Steam	Up to 30 years BOT of centralised steam plant at industrial park	2 x 40 t/h	95	Trial operation in 3Q 2017	18-Jan- 2016
Anhui Quanjiao Phase 1 Steam	30 years BOT of centralised steam plant at industrial park	1 x 40 t/h	54	Trial operation in 3Q 2017	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	3 x 150 t/h 2 x 20mw	700	In construction phase	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	2 x 2400Wkcal 2 x 2000Wkcal	250	In construction phase	16-Jan-2017
Shandong Yangguang Institute	Acquire an aggregate of 80% of the equity interest in Shandong Yangguang Engineering Design Institute Co., Ltd	-	68	Secured	11-Aug-2017
Several other BOT/BOO/TOT projects are under negotiation.					



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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