

SUNPOWER GROUP LTD.**Unaudited Financial Statements for the Second Quarter Ended 30 June 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 INCOME STATEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2014	30 June 2013	% change	30 June 2014	30 June 2013	% change
Revenue	301,352	245,393	22.8	559,315	461,263	21.3
Cost of sales	(225,804)	(177,044) *	27.5	(422,680)	(343,702) *	23.0
Gross profit	75,548	68,349	10.5	136,635	117,561	16.2
Other operating income ⁽¹⁾	1,049	802	30.8	3,967	2,956	34.2
Selling and distribution expenses	(8,603)	(8,252)	4.3	(16,656)	(15,856)	5.0
Administrative expenses	(34,041)	(34,644) *	(1.8)	(64,850)	(65,137) *	(0.5)
Other operating expenses	(849)	(1,635) *	(48.1)	(5,478)	(1,568) *	249.4
Finance costs	(7,161)	(7,420)	(3.5)	(14,369)	(14,869)	(3.4)
Profit before income tax	25,943	17,200	50.8	39,249	23,087	70.0
Income tax expense	(4,975)	(3,279)	51.7	(7,682)	(5,799)	32.5
Profit for the period representing total comprehensive income for the period	20,968	13,921	50.6	31,567	17,288	82.6
Total comprehensive income for the period attributable to:						
Equity holders of the Company	21,951	14,574	50.6	33,390	19,253	73.4
Non-controlling interest	(983)	(653)	50.5	(1,823)	(1,965)	(7.2)
Profit for the financial period	20,968	13,921	50.6	31,567	17,288	82.6

n.m. – not meaningful

* Certain reclassifications have been made to the prior year's comparative 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:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2014	30 June 2013		30 June 2014	30 June 2013	
Depreciation expense	5,968	5,687	4.9	12,005	10,551	13.8
Amortisation of land use rights	353	365	(3.3)	706	705	0.1
Amortisation of intangible assets	680	71	(857.7)	1,360	145	837.9
Impairment allowance on trade receivables	708	1,462	(51.6)	5,237	1,295	304.4
Impairment (Reversal of) allowance on inventories	-	-	-	626	(149)	520.1
Interest expense	7,161	7,420	(3.5)	14,369	14,869	(3.4)
Loss on disposal of property, plant and equipment	67	16	318.8	64	40	60.0

Note 1:

Other operating income comprises:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2014	30 June 2013		30 June 2014	30 June 2013	
Government grant	343	32	971.9	2,598	1,477	75.9
Interest income	329	760	(56.7)	673	1,408	(52.2)
Net foreign exchange gain	201	-	n.m.	201	-	n.m.
Others	176	10	n.m.	495	71	597.2
Total	1,049	802	30.8	3,967	2,956	34.2

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.

STATEMENT OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) 30 June 2014	(Audited) 31 December 2013	(Unaudited) 30 June 2014	(Audited) 31 December 2013
ASSETS				
Current assets:				
Cash and cash equivalents	181,396	118,798	21	23
Pledged bank deposits	64,922	74,377	-	-
Trade receivables	999,048	1,162,734	-	-
Other receivables, deposits and prepayments	82,171	81,241	133	133
Inventories	301,402	252,257	-	-
Land use rights	1,412	1,412	-	-
Total current assets	1,630,351	1,690,819	154	156
Non-current assets:				
Land use rights	48,305	49,010	-	-
Property, plant and equipment	289,649	276,761	-	-
Investment in subsidiaries	-	-	174,477	160,984
Intangible assets	9,914	11,274	-	-
Deferred tax assets	12,057	10,208	-	-
Total non-current assets	359,925	347,253	174,477	160,984
Total assets	1,990,276	2,038,072	174,631	161,140
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	768,862	812,157	-	-
Other payables	130,670	172,283	11,800	61,935
Borrowings	402,371	439,120	26,954	-
Income tax payable	14,817	15,246	-	-
Total current liabilities	1,316,720	1,438,806	38,754	61,935
Non-current liabilities:				
Deferred tax liabilities	2,698	2,487	-	-
Capital and reserves:				
Share capital	31,281	27,230	31,281	27,230
Share premium	75,379	35,275	75,379	35,275
General reserves	50,854	46,567	-	-
Accumulated profits	493,348	465,888	29,217	36,700
Equity attributable to equity holders of the Company	650,862	574,960	135,877	99,205
Non-controlling interest	19,996	21,819	-	-
Total equity	670,858	596,779	135,877	99,205
Total liabilities and equity	1,990,276	2,038,072	174,631	161,140

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 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Borrowings	100,000	302,371	139,000	300,120

Amount repayable after one year

(RMB'000)	As at 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	-	-

Details of any collaterals:

<u>Collateral</u>	30 June 2014 RMB'000	31 December 2013 RMB'000
Bills payable	50,000	54,000
Land-use rights and buildings of subsidiaries	50,000	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 SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

RMB'000	Second quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Operating activities				
Profit before income tax	25,943	17,200	39,249	23,087
Adjustments for:				
Depreciation expense	5,968	5,687	12,005	10,551
Amortisation of land use rights	353	365	706	705
Amortisation of intangible assets	680	71	1,360	145
Impairment allowance on trade receivables	708	1,462	5,237	1,295
Impairment (Reversal of) allowance on inventories	-	-	626	(149)
Loss on disposal of property, plant and equipment	67	16	64	40
Interest expense	7,161	7,420	14,369	14,869
Interest income	(329)	(760)	(673)	(1,408)
Operating cash flows before movements in working capital	40,551	31,461	72,943	49,135
Trade receivables	6,148	(40,457)	158,449	(52,181)
Other receivables, deposits and prepayments	(118)	1,802	(930)	(21,169)
Inventories	9,352	(69,259)	(49,771)	(92,507)
Trade payables	11,635	108,313	(43,295)	182,322
Other payables	12,812	(1,720)	(11,115)	(15,189)
Cash generated from operations	80,380	30,140	126,281	50,411
Income tax paid	(3,510)	(279)	(9,748)	(5,417)
Interest received	329	760	673	1,408
Interest paid	(7,161)	(7,140)	(15,505)	(13,593)
Net cash generated from operating activities	70,038	23,481	101,700	32,809
Investing activities				
Purchase of property, plant and equipment	(5,048)	(25,518)	(46,273)	(43,219)
Acquisition of intangible asset	-	(734)	-	(1,577)
Purchase of land use right	-	-	(8,098)	-
Proceeds from disposal of property, plant and equipment	48	285	51	294
Net cash used in investing activities	(5,000)	(25,967)	(54,320)	(44,502)
Financing activities				
Proceeds from new borrowings	157,070	155,647	228,976	237,978
Proceeds of share issuance	44,155	-	44,155	-
Repayment of borrowings	(220,627)	(145,050)	(265,725)	(215,050)
Pledged bank deposits	4,536	21,527	9,455	6,890
Payment of dividend	(1,643)	(2,466)	(1,643)	(2,466)
Net cash (used in)/generated from financing activities	(16,509)	29,658	15,218	27,352
Net increase in cash and cash equivalents	48,529	27,172	62,598	15,659
Cash and cash equivalents at beginning of period	132,867	130,896	118,798	142,409
Cash and cash equivalents at end of period	181,396	158,068	181,396	158,068

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.

<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
Balance at 1 January 2013	27,230	35,275	39,102	421,998	523,605	24,920	548,525
Total comprehensive income for January to March 2013	-	-	-	4,679	4,679	(1,312)	3,367
Transfer to general reserves	-	-	469	(469)	-	-	-
Balance at 31 March 2013	27,230	35,275	39,571	426,208	528,284	23,608	551,892
Total comprehensive income for April to June 2013	-	-	-	14,574	14,574	(653)	13,921
Payment of dividend	-	-	-	(2,466)	(2,466)	-	(2,466)
Transfer to general reserves	-	-	194	(194)	-	-	-
Balance at 30 June 2013	27,230	35,275	39,765	438,122	540,392	22,955	563,347
Total comprehensive income for July to December 2013	-	-	-	34,568	34,568	(1,136)	33,432
Transfer to general reserves	-	-	6,802	(6,802)	-	-	-
Balance at 31 December 2013	27,230	35,275	46,567	465,888	574,960	21,819	596,779

Group	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
Balance at 1 January 2014	27,230	35,275	46,567	465,888	574,960	21,819	596,779
Total comprehensive income for January to March 2014	-	-	-	11,439	11,439	(840)	10,559
Transfer to general reserves	-	-	1,565	(1,565)	-	-	-
Balance at 31 March 2014	27,230	35,275	48,132	475,762	586,399	20,979	607,378
Ordinary shares issued	4,051	40,104	-	-	44,155	-	44,155
Total comprehensive income for April to June 2014	-	-	-	21,951	21,951	(983)	20,968
Payment of dividend	-	-	-	(1,643)	(1,643)	-	(1,643)
Transfer to general reserves	-	-	2,722	(2,722)	-	-	-
Balance at 30 June 2014	31,281	75,379	50,854	493,348	650,862	19,996	670,858

<u>Company</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at 1 January 2013	27,230	35,275	40,708	103,213
Total comprehensive income for January to March 2013	-	-	(2,553)	(2,553)
Balance at 31 March 2013	27,230	35,275	38,155	100,660
Total comprehensive income for April to June 2013	-	-	2,095	2,095
Payment of dividends	-	-	(2,466)	(2,466)
Balance at 30 June 2013	27,230	35,275	37,784	100,289
Total comprehensive income for July to December 2013	-	-	(1,084)	(1,084)
Balance at 31 December 2013	27,230	35,275	36,700	99,205
Total comprehensive income for January to March 2014	-	-	(2,469)	(2,469)
Balance at 31 March 2014	27,230	35,275	34,231	96,736
Ordinary shares issued	4,051	40,104	-	44,155
Total comprehensive income for April to June 2014	-	-	(3,371)	(3,371)
Payment of dividends	-	-	(1,643)	(1,643)
Balance at 30 June 2014	31,281	75,379	29,217	135,877

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.

Issued and fully paid ordinary share capital

	Number of shares	RMB
Balance as at 1 April 2014	329,000,000	27,230,000
Shares issued during the financial period	<u>65,800,000</u>	<u>4,051,000</u>
Balance as at 30 June 2014	<u>394,800,000</u>	<u>31,281,000</u>

The Group had on 12 May 2014, issued and allotted 65,800,000 new ordinary shares at an issue price of S\$ 0.14 per shares pursuant to a share placement exercise undertaken by the Group.

There were no outstanding convertibles or treasury shares held as at 30 June 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 total number of issued shares of the Group has increased from 329,000,000 ordinary shares as at 31 March 2014 to 394,800,000 ordinary shares as at 30 June 2014.

There were no shares held as treasury shares as at 30 June 2014, 30 June 2013 and 31 December 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).

	Second quarter ended		Half year ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Net profit attributable to equity holders of the Group (RMB'000)	21,951	14,574	33,390	19,253
Weighted average number of ordinary shares outstanding ('000)	364,824	329,000	346,912	329,000
Earnings per share – basic (RMB cents)	6.02	4.43	9.62	5.85

Basic earnings per share for second quarter and half year ended 30 June 2014 and 30 June 2013 have been calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding.

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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Net asset value per share (RMB cents)	164.86	174.76	34.42	30.15

The net asset value per share for 30 June 2014 and 31 December 2013 has been calculated based on the issued share capital of 394,800,000 ordinary shares as at 30 June 2014 and 329,000,000 ordinary shares as at 30 June 2013.

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 2014 ("2Q2014") as compared to that of the second quarter ended 30 June 2013 ("2Q2013")

Revenue

The Group's revenue increased by RMB 56.0 million or 22.8% from RMB 245.4 million in 2Q2013 to RMB 301.4 million in 2Q2014 due primarily to the increased revenue derived from Heat Pipes and Heat Pipe Exchangers of RMB 22.9 million and Energy Saving and Environmental Protection Systems of RMB 28.5 million.

Gross Profit

Gross profit in 2Q2014 also increased by RMB 7.2 million as compared to the corresponding period. However, gross profit margin dropped by 2.8 percentage points due to lower profit achieved in the Heat Pipes and Heat Pipe Exchangers segment.

Profit before Income Tax

The Group's profit before tax increased by RMB 8.7 million or 50.8% from RMB 17.2 million in 2Q2013 to RMB 25.9 million in 2Q2014 mainly due to:

- a) Improvement in the gross profit of RMB 7.2 million;
- b) Decrease in other operating expenses of RMB 0.8 million due to lower impairment allowance of trade receivables in 2Q2014 as compared to 2Q2013.

Income Tax Expense

The effective income tax rate remained fairly constant at approximately 19.0% for both 2Q2014 and 2Q2013.

Profit for the Financial Period

As a result of the above, the Group recorded an increase in net profit attributed to the shareholders of RMB 7.4 million or 50.6% to RMB 22.0 million in 2Q2014.

- (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 slightly by RMB 60.5 million or 3.6% from RMB 1,690.8 million as at 31 December 2013 to RMB 1,630.4 million as at 30 June 2014. The decrease was mainly due to the following:

- (a) Decrease in trade receivables of RMB 163.7 million arising mainly from better collections attributable to the efforts of management to follow up with its customers. For trade receivables as at 31 December 2013 and 30 June 2014, approximately 43% and 7% of the balances due were collected respectively as at 31 July 2014. Most of the trade receivables are due from customers who are either state owned enterprises, listed companies and multi-national corporations. Overall, the profile of the Group's customers are credit-worthy but payment remained slow due to tightening credit in China;
- (b) Decrease in pledged bank deposits of RMB 9.5 million; offset by
- (c) Increase in cash and cash equivalents of RMB 62.6 million; and
- (d) Increase in inventories of RMB 49.1 million due to increased raw material and work-in-progress products to fulfil the order books on hand.

The Group's total current liabilities decreased by RMB 122.1 million or 8.5% from RMB 1,438.8 million as at 31 December 2013 to RMB 1,316.7 million as at 30 June 2014. The decrease was mainly due to the following:

- (a) Decrease in trade payables of RMB 43.3 million as a result of decrease in notes payables with recourse and third parties of RMB 110.8 million in aggregate offset by the increase in trade payable from third parties of RMB 86.9 million;
- (b) Decrease in other payables of RMB 41.6 million mainly due to the final payment of RMB 21.4 million made for land use rights in 1Q2014, accrued salaries and value-added tax of 28.7 million in aggregate; and
- (c) Decrease in borrowings of RMB 36.7 million due to the repayments made during the period under review.

Review of the Group's Cash Flow Statement for the second quarter ended 30 June 2014

Net cash generated from operating activities amounted to approximately RMB 70.0 million. This was primarily due to cash generated from:

- (a) Operating cash inflows before movements in working capital of approximately RMB 40.6 million in aggregate;
- (b) Cash inflows from the increase in trade payables and other payables of RMB 24.4 million, and decrease in trade receivables of RMB 6.1 million and inventories of RMB 9.4 million;
- (c) Payment for interest and tax of approximately RMB 10.7 million in aggregate.

Net cash used in investing activities amounted to RMB 5.0 million mainly as a result of the purchase of property, plant and equipment.

Net cash used in financing activities amounted to RMB 16.5 million largely due to the repayment of borrowings of RMB 220.6 million and dividend payment of RMB 1.6 million which was offset by the cash inflow arising from the proceeds of borrowings of RMB 157.1 million, proceeds of share issuance of RMB 44.2 million and pledged bank deposits of RMB 4.5 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 announcement of results made for the first quarter ended 31 March 2014.

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.

Given the continuous downward pressure on the global economy, demand from domestic and overseas remained cautious. This may lead to overall challenges to the Group's business.

Despite the difficulties, the Group continues to strengthen and improve the recoverability of its trade receivables with a significant proportion of outstanding amount due being collected by July 2014. The Group also made great efforts on expanding to new industries and markets. In July 2014, the Group incorporated a wholly-owned subsidiary, Sino-Sunpower Technology Inc., in the State of Texas, United States of America, as its marketing and technical support center.

Following the successful implementation of sustainable development, China's GDP grew by 7.5% in 2Q2014. Several priority policies have been issued by the Chinese Government to encourage and support the environment protection industry. Besides that, China will continue to accelerate industrial upgrading which would be beneficial to the Group's long-term business plan.

The total orders on hand amounted to approximately RMB 1.36 billion as at 30 June 2014. Barring any unforeseen circumstances, the Group will 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 second quarter ended 30 June 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 second quarter ended 30 June 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

13 August 2014