

SUNPOWER GROUP LTD.

Investor Presentation

14 August 2018

Agenda

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

- ❑ **Environmental Protection Solutions Specialist:** Energy-saving solutions, waste heat recovery, clean power
- ❑ **20 Years of Proven Track Record:** Established in 1997, listed on SGX since 2005
- ❑ **Strong R&D Capabilities:** 143 patents, 52 invention patents, 306 researchers and design engineers
- ❑ **Synergistic Business Model:** Strong execution capabilities and cost efficiencies of M&S benefit GI business
- ❑ **Business segments:** Value creator and growth driver in Green Investments (GI). Supported by Manufacturing and Services (M&S)

Green Investments (GI)

Rapid ramp-up in contributions since operations started in late 3Q 2017.

Long-term, recurring high-quality income and cashflows (typically 30-year concessions + first right to renew).

High NPV of cashflows and attractive double-digit IRR.

Manufacturing & Services (M&S)

Top-tier position and reputation in the environmental protection solutions industry.

~1500 customers in over 15 industries across 30 countries, of which 70% are repeat customers

Reputable customer base includes BASF, BP, Shell, Total, ExxonMobil, CNOOC, CNPC and Sinopec.

Sunpower Group at a Glance


Established Businesses with Stable Profits and Cashflow

Value Creator & Growth Driver

Manufacturing & Services (M&S)

Manufacturing				Services				Major Industries
Main Products				Main Products				
High Efficiency Heat Exchangers and Pressure Vessels		Pipeline Energy Saving Products		Flare & Flare Gas Recovery System		High Salinity Wastewater System (ZLD)		
				Desulphurization & Denitrification System		Petrochemical Engineering		
<ul style="list-style-type: none">• Petrochemical• Chemical• Coal Chemical• Oil Gas• Coal Industry• Clean Energy• Metallurgy• Refinery• Pharmacy• Mining and steel• Power Plant...								

Green Investment (GI)

Main Products	Major Industries
Centralized Steam & Electricity Facilities  	<ul style="list-style-type: none"> Chemical Textile Textile Printing & Dyeing Food Paper-making Paint Industry Pharmacy Leather Wood Processing Plastic recycling Fodder Chemical Fertilizer Rubber ...

High-quality customer base



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- **Green Investment (GI), Our Value Creator and Growth Driver**
- **Target to Build Sizeable GI Portfolio**
- **GI Forms the Bulk of the Group's Value**
- **Stable and Growing Manufacturing Services: Strong Order Book ~ RMB 2 billion**
- **Professional and Disciplined Management Team**
- **DCP and CDH as strategic institutional investors to support the Group**

I Enormous Business Opportunities in China's Anti-smog Sector

- Government orders mandatory closure of small boilers. Manufacturing plants in industrial parks across China to use highly efficient centralised steam boilers
- Manufacturing plants are increasingly concentrated in industrial parks. Industrial parks continue to expand
- **Exclusive supplier** of steam to industrial customers within industrial parks where we typically hold **30-year concession agreements** with first right to renew such concessions

II Scarce & Realisable Assets

- **High net present value (NPV) and attractive double-digit project IRR. Long term & recurring cash flows.**
- **High quality cashflows and captive customers.** Steam, a non-discretionary input for production by our industrial customers. Pre-payment & strong tariff collections
- **Strong cashflow growth potential.** Increasing steam demand with
 - (1) Immediate cross-over demand from mandatory closure of small boilers
 - (2) Natural expansion of industrial parks

III Unique Competitive Edge

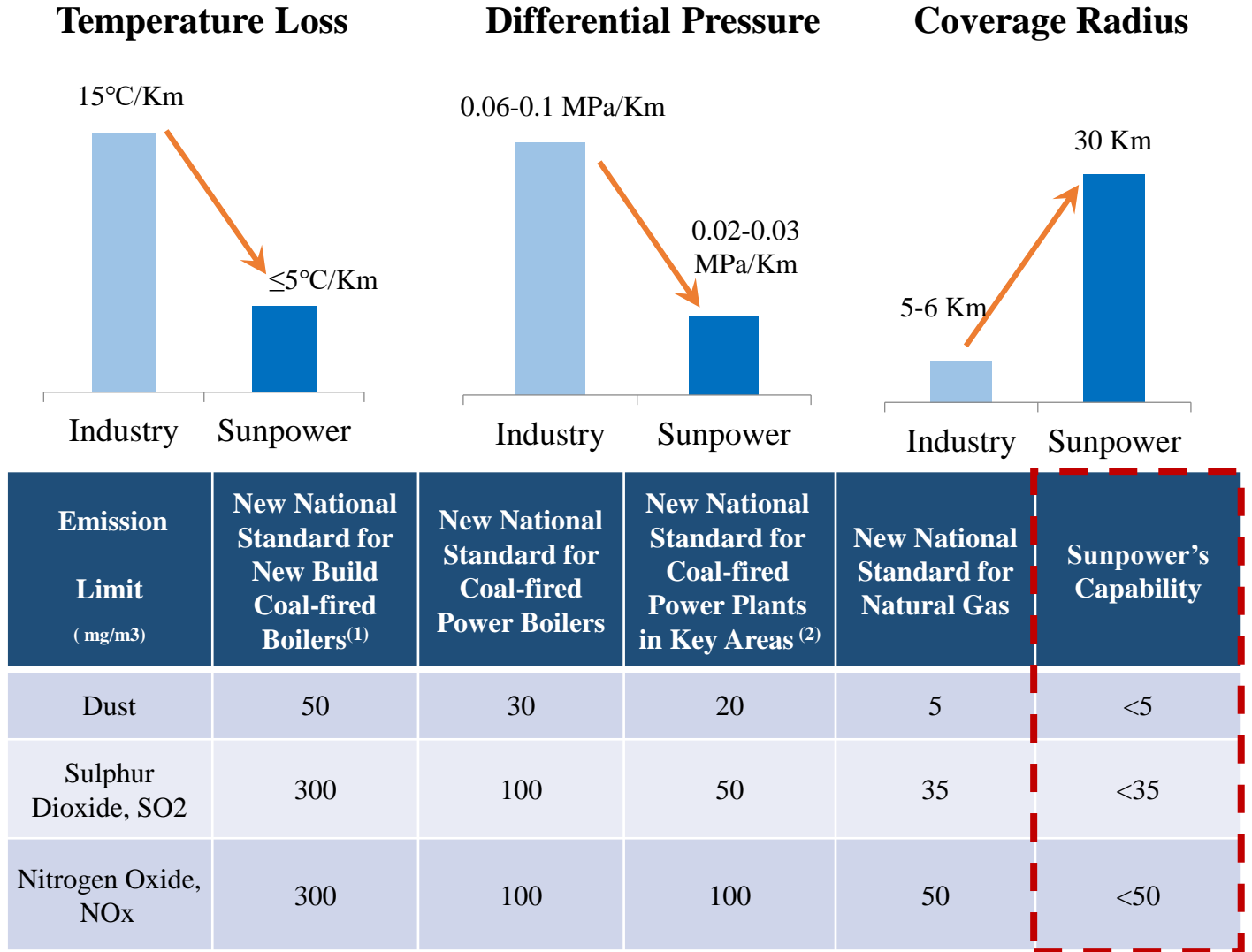


- **Proprietary energy-saving & long-distance distribution technology**
- **Experienced management with full interest alignment: strong discipline in project evaluation & low cost overrun risks**
- **Fully integrated capabilities: in-house design institute, environmental protection manufacturing & services**
- **Strong long-term capital support & shareholders base**
- **Robust pipeline with attractive projects**
- **First mover advantage: established market reputation in anti-smog**

Green Investment, Our Value Creator and Growth Driver

Proprietary Technologies

- **Long Distance Steam Distribution Pipelines Technology**
 - Increase geographical reach to captive customers. Achieve economies of scale
 - Reduce coal feedstock ~ minimal temperature lost in transmission
- **Environmental Protection Technology**
 - Low nitrogen combustion technology
 - Desulfurization and denitrification technology
- **Energy Saving Technology**
 - High efficiency heat exchange technology
 - Gas-gas heater technology
 - Low temperature economizer technology
- **Ability to Reform and Upgrade Acquired Plants to Improve Operation Efficiency**



(1) Standard applies to coal-fired power-generating boilers with a unit capacity of 65 tons/hour (t/h) or below

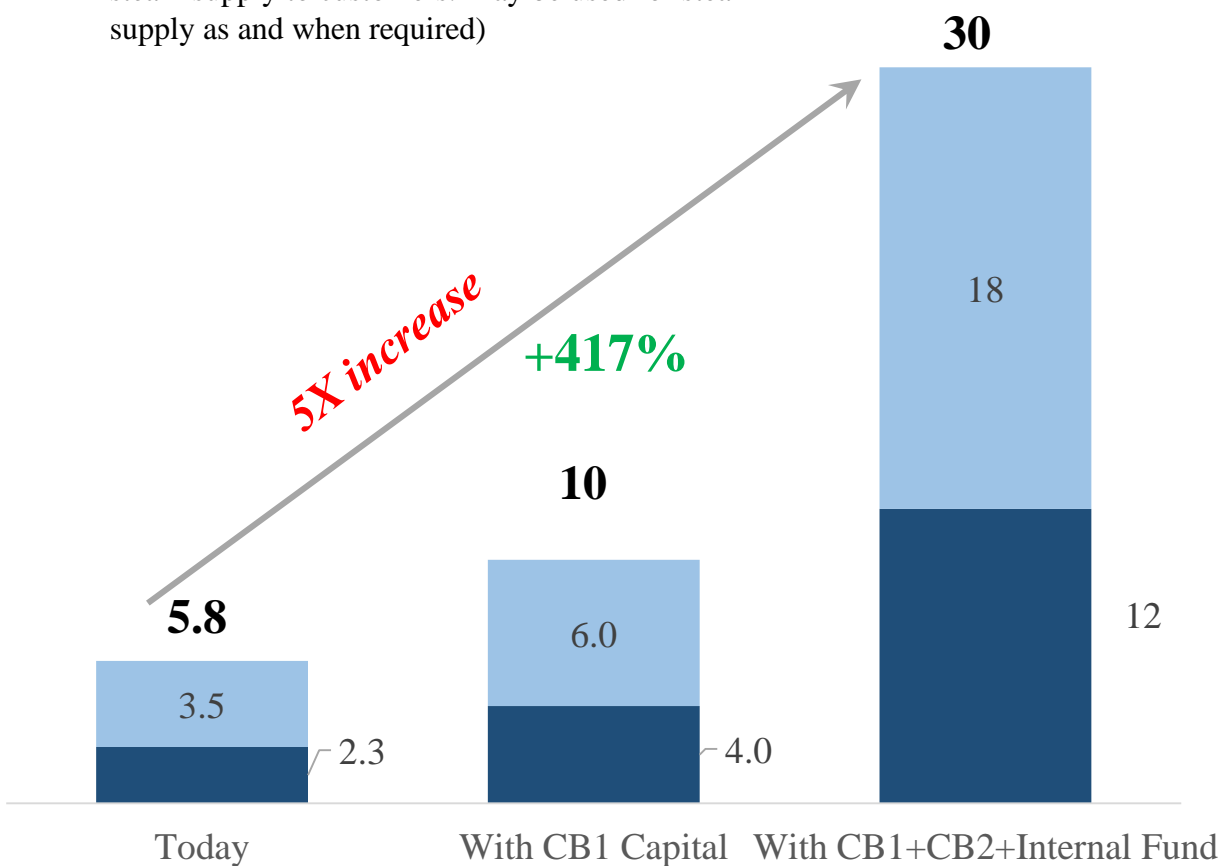
(2) Key Area refers to Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta of China

Source: Emission Standard of Air Pollutants for Boilers enacted by Ministry of Environmental Protection of PRC.

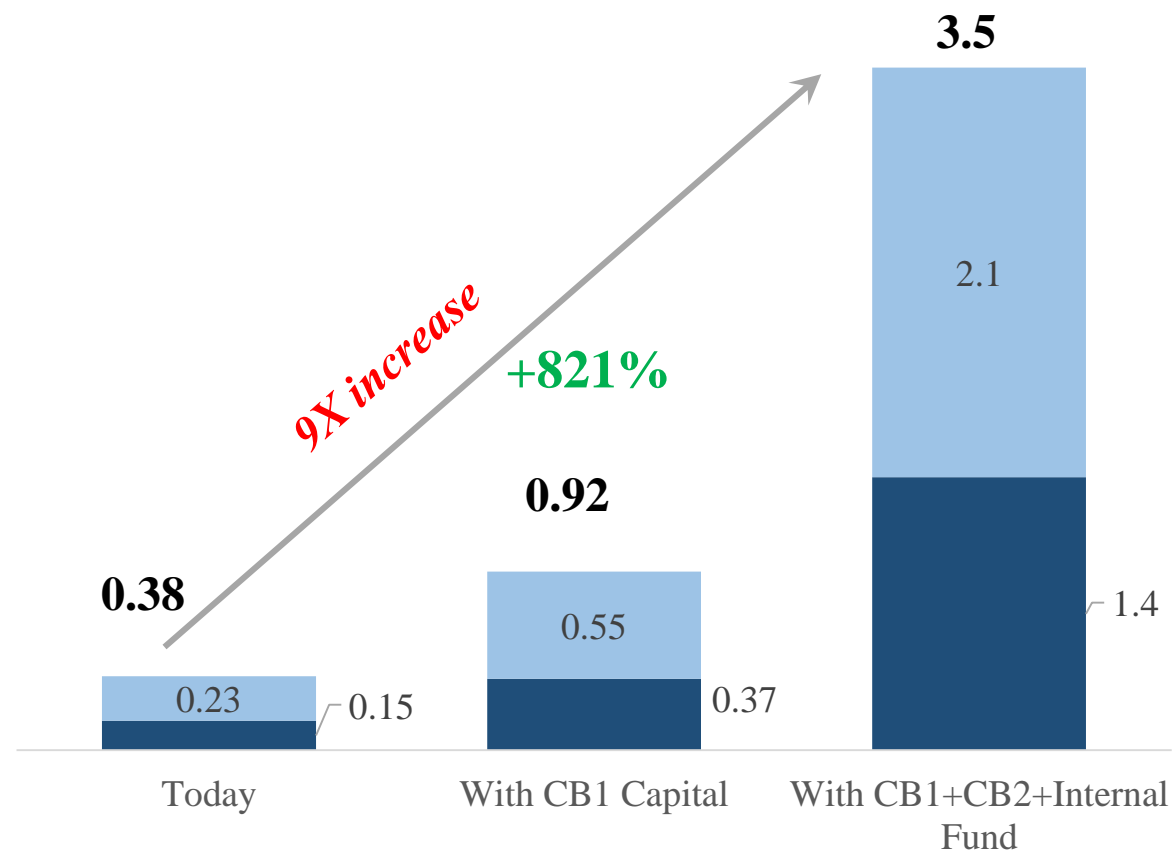
Target to Build Sizeable GI Portfolio

Gross Annualized Steam Capacity (million tons)

- Annualized active production capacity
- Annualized backup capacity (to ensure constant steam supply to customers. May be used for steam supply as and when required)



Gross Annualized Electricity Capacity (million MWh)



GI Forms the Bulk of the Group Value ⁽¹⁾



Green
Investments
(GI)

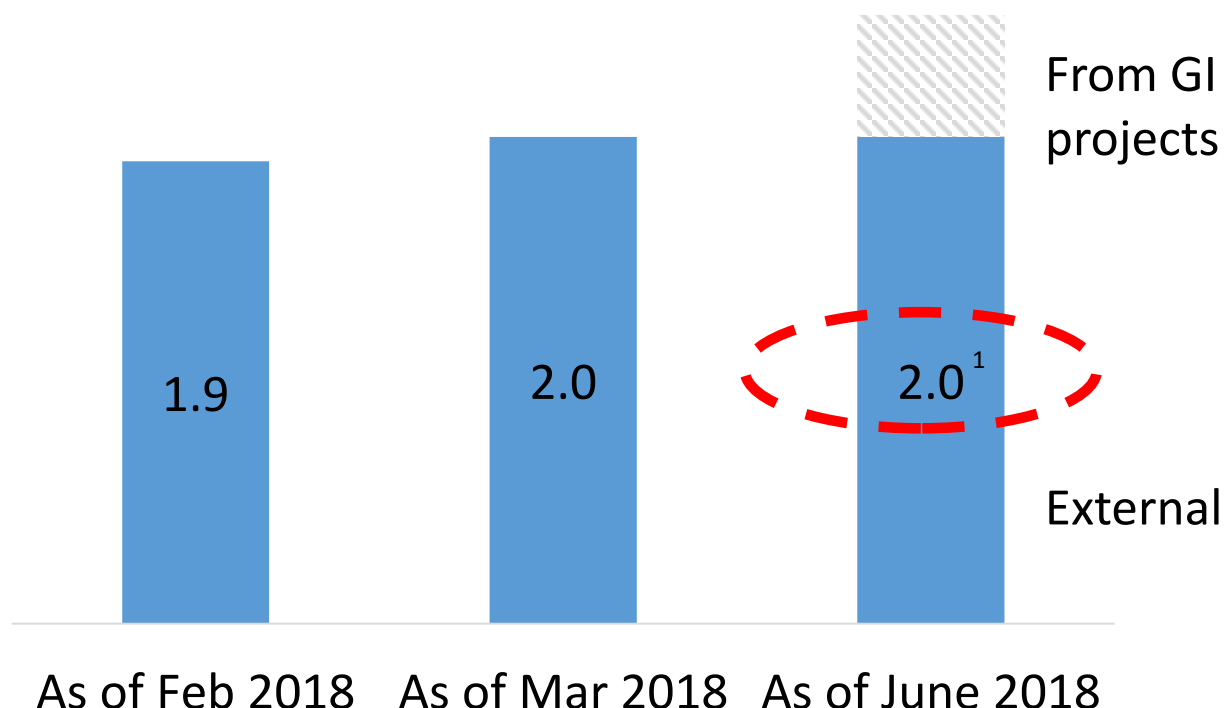


- The Group's GI business has ramped up operations rapidly since 2017.
- The GI business generates long-term, recurring & stable cashflow (usually 30-year concessions + first right to renew).
- In addition to the current GI portfolio, the Group has a strong attractive pipeline of projects under evaluation.
- Target to invest a total of approximately RMB 2.5 billion in equity by 2021.
- Deliver long-term NPV of future cashflows, substantially higher than the current EBITDA contributions.

(1) Based on invested capital

Order Book remained at approximately RMB 2.0 billion as at Q2 2018

Strong Order Book



- **Proven track record over 13 years**
 - Stable and growing revenue
 - Positive operating cash-flow
- **Resilient and sustainable development**
 - 70% repeat customers
 - Customers from diversified downstream industries
 - Global geographical markets
- **Advanced proprietary technologies**

(1) Orders secured from external customers, excluding those were delivered

Professional and Disciplined Management Team

Management are proven professionals with high personal integrity and follow international best practices in corporate governance

■ Stable and Loyal

- ✓ The majority has served Sunpower for >10 years. Strong loyalty.

■ Highly Educated and Professional

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

■ Deep Industry Experience

- ✓ Average >20 years of experience in environmental protection sector
- ✓ Extensive experience in working with various conglomerates in China and abroad

■ Strong Alignment of Interest

- ✓ The management collectively owns 42% shares of Sunpower¹



Dr. Guo Hong Xin
Executive Chairman &
Founder



Mr. Ma Ming
Executive Director



Mr. Shen Qiang
COO



Ms. Ge Cuiping
CFO



Mr. Chen Kai
CIO



Mr. Gu Quanjun
Senior VP
GM-GI



Mr. Li Feng
Senior VP
GM--EEM



Mr. Yuan Ziwei
Senior VP
GM--EPC

(1) Before CB conversion, including ESOP

DCP and CDH are strategic institutional investors

- Among the largest and most experienced Chinese PE investors.
- Invested/committed in Sunpower through 2 rounds of CBs, amounting to US\$180 million. Provide institutional support for Sunpower's long-term growth.
- Invested in and nurtured many leading companies in China.

DCP and CDH team's Selected Portfolio



Belle International
(百丽鞋业)

China's Leading
Women Shoes Retailer



Mengniu Dairy
(蒙牛乳业)

China's Leading
Dairy Company



Nanfu Battery
(南孚电池)

China's Leading
Alkaline Battery
Producer



Qingdao Haier
(青岛海尔)

Global Leader in
Home Appliances



Hengan International
(恒安集团)

China's Largest Napkin
and Diaper Producer



Ping An Insurance
(平安保险)

China's Leading
Insurance Provider



Modern Dairy
(现代牧业)

China's Leading
Dairy Company



WH Group
(万州国际)

Global Leader in
Meat Processing



Greenland Group
(绿地集团)

China's Leading
Real Estate
Conglomerate



Midea Group
(美的集团)

Global Leader in
Home Appliances



CICC
(中国国际金融有
限公司)

China's Leading
Investment Bank



Focus Media
(分众传媒)

China's Largest Out-of-
home Advertising
Network



COFCO Meat
(中粮肉食)

China's Leading
Meating Processing
Company



Uxin
(优信拍)

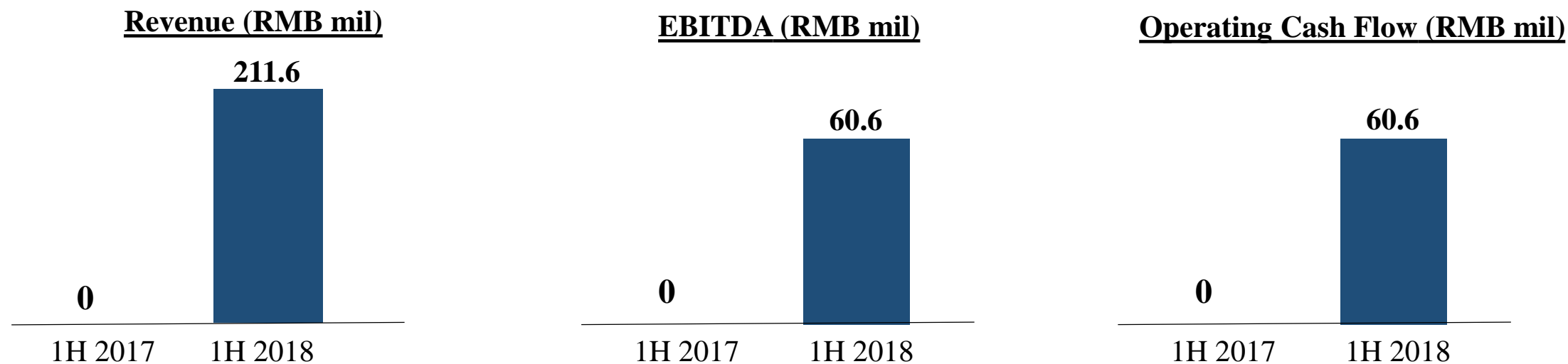
China's Leading
Online Used-car
Platform

Source: DCP and CDH, as of Mar 2018. Please note that all risk disclosure, disclaimers and other similar content in the Private Placement Memorandum, dated February 22, 2018, and the Preliminary Information Document, dated August 10, 2017, of DCP Capital Partners, L.P. apply to the information above.

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Respectable Performance from GI in 1H 2018



- GI continued to gain momentum in 1H 2018 with the commencement of operation of 5 existing projects in late 3Q 2017, especially the 2 largest projects, Changrun and Xinyuan. The projects are still in ramp-up period.
- GI projects, although still at an early stage of development, has started to generate high-quality cash flows. This will be the funding source for its further GI expansion.
- With ramping up of existing projects and a strong pipeline of projects under construction and M&A targets, the long-term Net Present Value (“NPV”) of future cashflows generated by the Group’s GI portfolio is expected to be substantially higher than its EBITDA contribution in 1H 2018.

M&A Update - Yongxing Thermal Power Plant

- Sunpower has signed agreements to complete the acquisition of 100% stake in Yongxing Thermal Power Plant (“Yongxing Plant”) and 100% stake in Hengtong Electricity. The Group expects the acquisition to contribute positively to revenue and net profit immediately upon completion in FY2018.

About the Transaction

- **Consideration:** RMB765 million. The company expects to use capital structure of ~40% equity/~60% debt
- **Attractive valuation multiple** which will enable Yongxing to deliver double-digit investment returns.

Project Overview

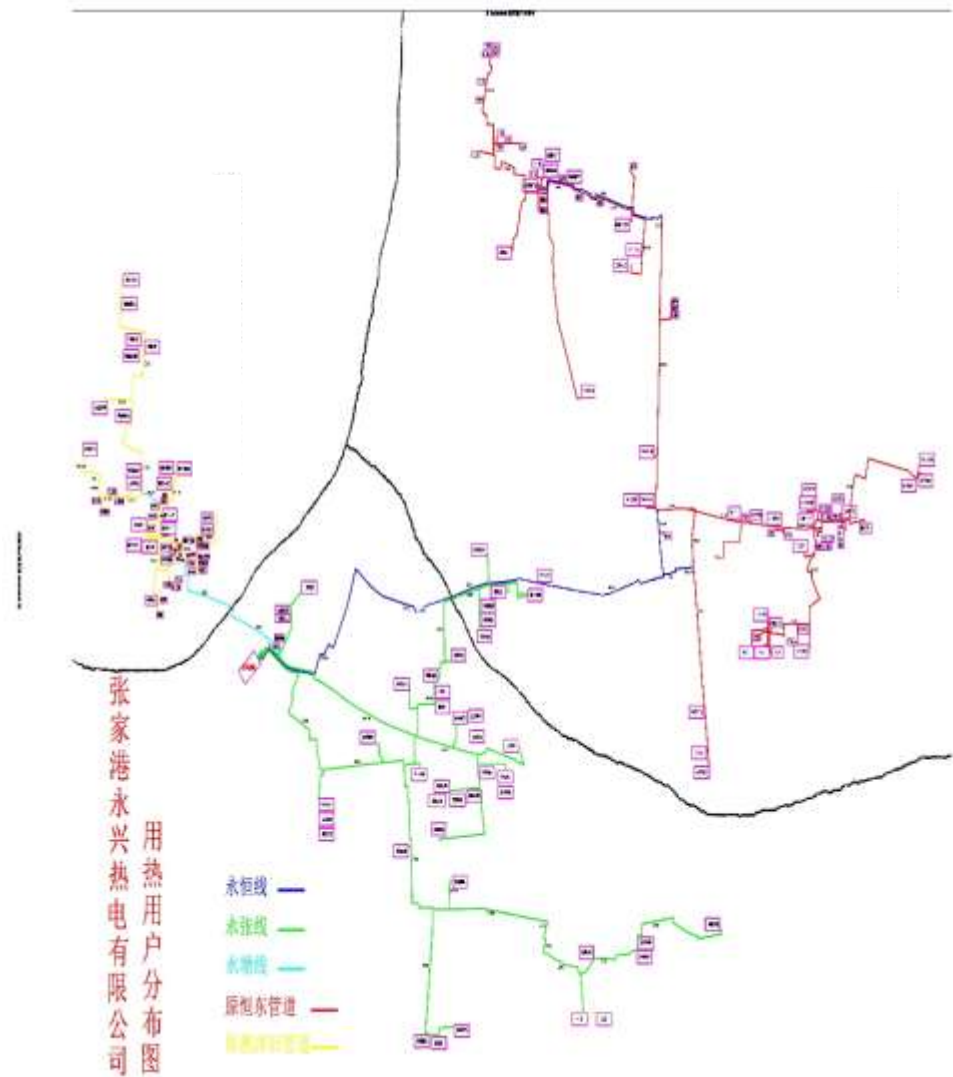
- Steam and electricity cogeneration plant located in Zhangjiagang, Suzhou City, an economically-developed city with immense economic growth potential.
- 130 customers concentrated in textile, chemical, metallurgy and other industries with stable cashflows.
- **Capacity:** 350 t/h+36 MW, sizeable steam pipeline network, total length ~160 km.
- Ownership of electricity trading licenses.

Investment Highlights

- Exclusive centralized steam supplier within its coverage area.
- Strong operational track record, to contribute recurring income and cashflows in 2018 and beyond.
- Growth potential for steam business, supported by its sizeable steam pipeline network.
- Electricity trading licenses may allow Sunpower to expand electricity business and tap another source of stable income and recurring cashflow.



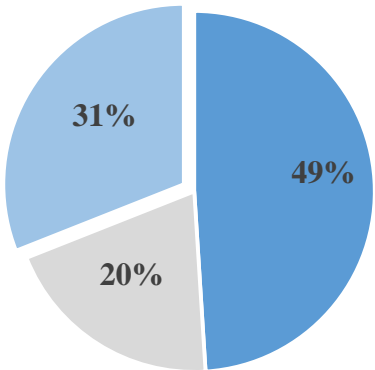
M&A Update - Yongxing Thermal Power Plant



Geographic Distribution of Yongxing's Customers

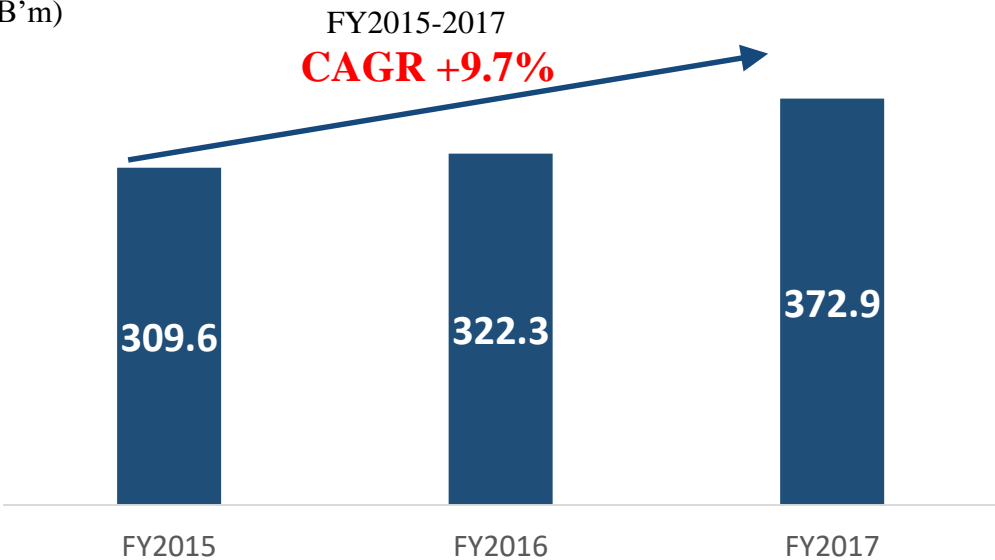
Customer mix: captive customers concentrated in cashflow-rich industries

- textile
- chemical & metallurgy
- others



Strong revenue track record: notable growth

Revenue ⁽¹⁾
(RMB'm)



(1) Including revenue of steam and electricity business

Strong Pipeline and Significant Investment in GI

Sunpower is on target to make a total of approximately RMB2.5 billion equity investment in GI by 2021

Update on the Investments in GI to-date

Status	Total Investments (RMB mm) ⁽¹⁾	SP Equity (RMB mm)
In Operation	1,418.0	616.9
In the Final Stage of M&A completion	765.0	306.0
Under Construction	1,560.0	382.2
Amount Invested and Committed	3743.0	1305.1
To be Constructed ⁽²⁾	653.0	220.4
Pipeline	2386.1	977.2
Total	6782.1	2,502.7

Notes: based on current estimates or forecast

(1) Assuming ~40% equity/60% debt.

(2) Projects have been signed and are currently in the design phase



- Projects in operation are ramping up, forming a strong driver for the continued growth
- Signed agreements to complete acquisition of Yongxing Plant at RMB765 million, a brownfield project in an economically-developed city.
- Projects under construction are on track to commence operation in 2019. Shantou project to complete as scheduled
- Project to be constructed are on track with better visibilities, to kick-off construction when related government approvals are granted
- Tangible progress on pipeline:
 - ✓ 3 projects in Shandong and Anhui have entered the late stage of evaluation
 - ✓ Robust pipeline in different stages with total value worth exceeding RMB2.0 billion

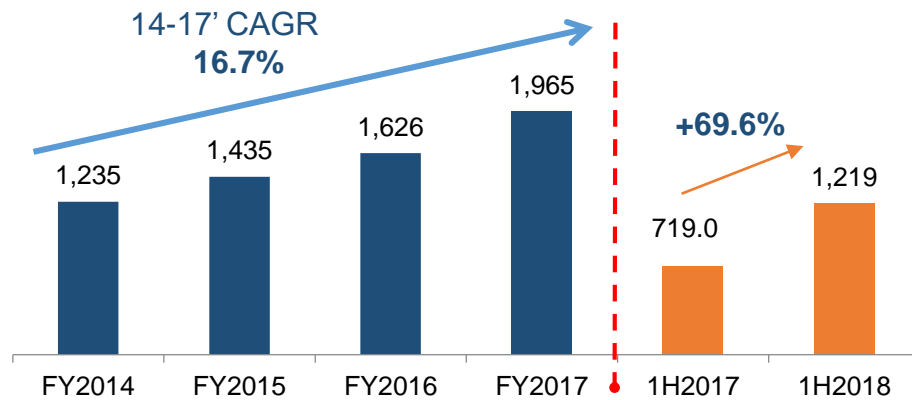
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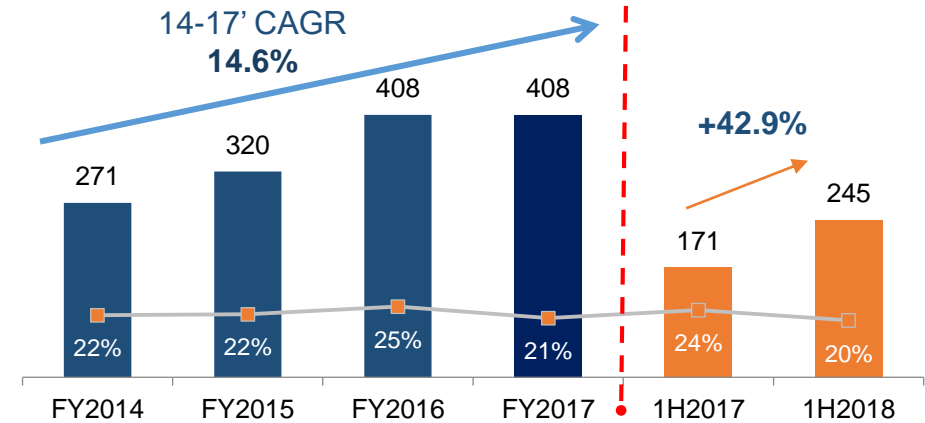
Solid Growth Trajectory

- Driven by increased contributions from GI, the Group achieved notable growth in top line and bottom line

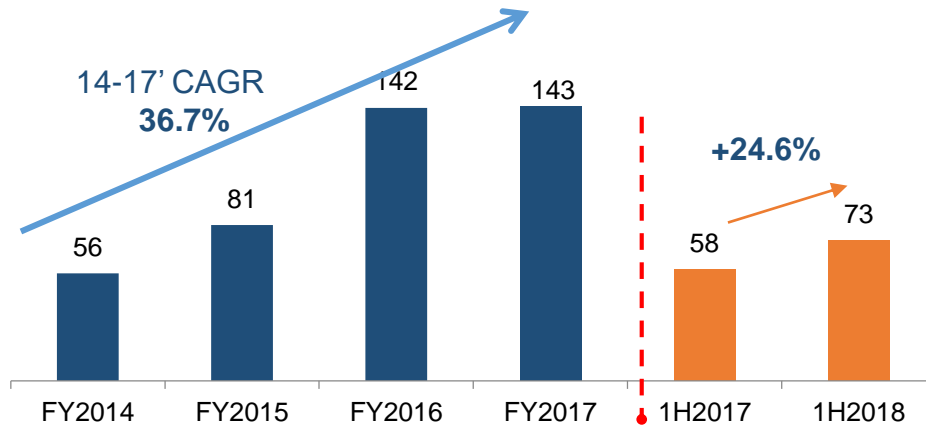
Revenue (RMB mil)



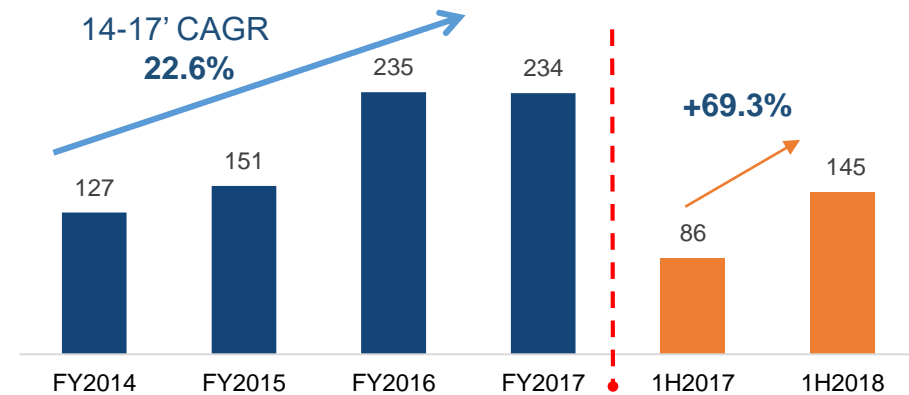
Gross Profit (RMB mil) & Gross Margin



Underlying net profit* (RMB mil)

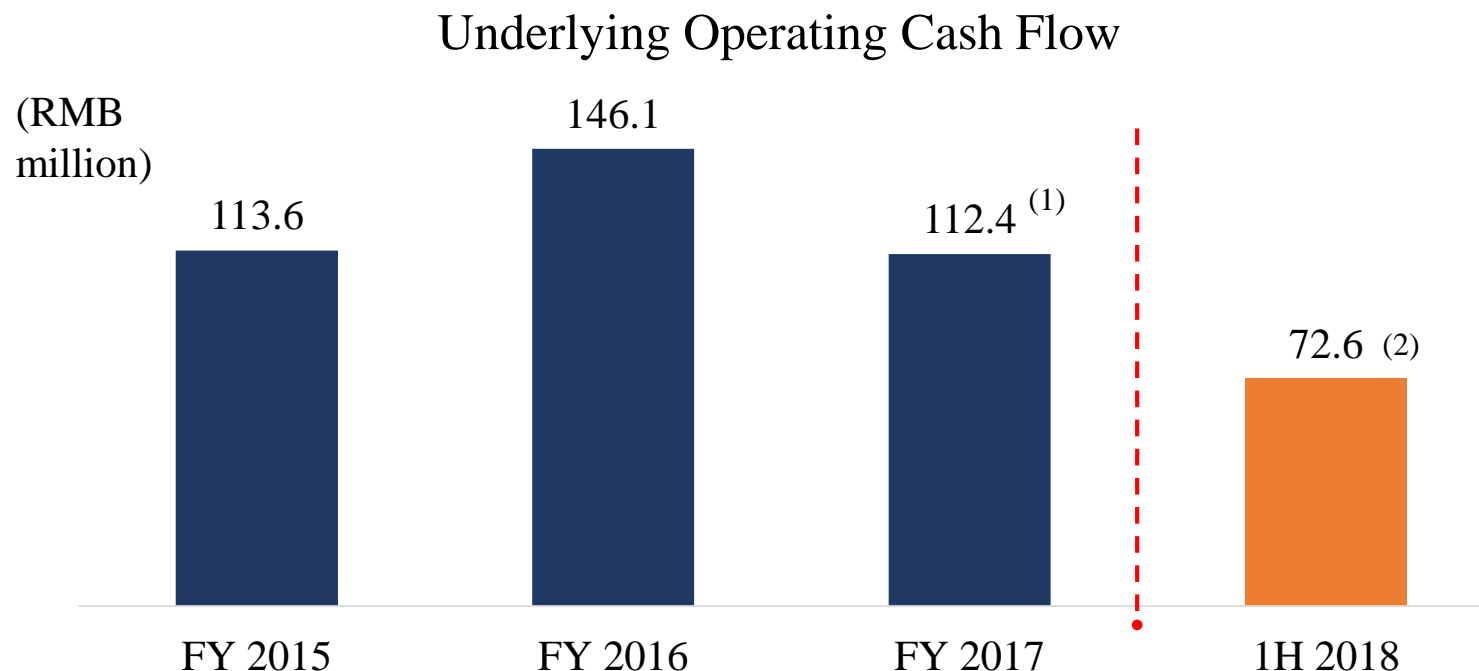


EBITDA (RMB mil)



*The underlying net profit is the true operating performance of the Group, after excluding amortised interest expenses, foreign exchange gains or losses, and fair value gains or losses, associated with the Convertible Bonds (CB) issued in 2017.

Underlying Operating Cashflow Remains Strong



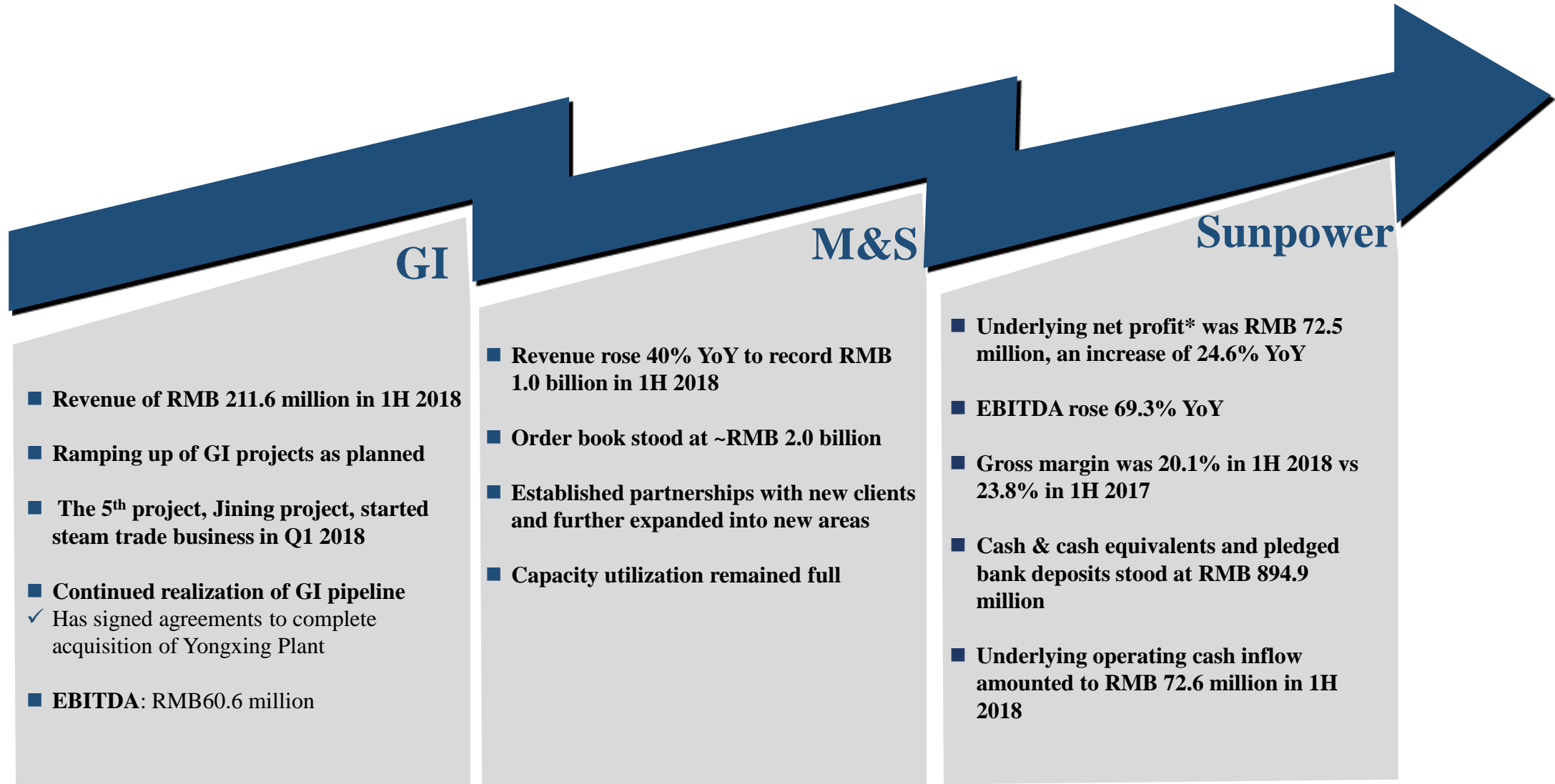
- Operating cash flow generated in 1H 2018 was RMB72.6 million, mainly contributed by GI business
- Operating group cashflow has always remained positive due to the Group's disciplined cost management.
- Certain GI projects are able to require advance payments from customers for steam due to their de facto monopolistic positions.

(1) Excluding CB FX loss of RMB26.5 million in relation to unutilized CB

(2) Excluding CB interest of RMB17.6 million and FX loss of RMB14.1 million

1H 2018: Stable Foundation for Stronger 2H

Management notes that results should be viewed on a 12-month basis to arrive at a balanced perspective



**The underlying net profit is the true operating performance of the Group, after excluding amortised interest expenses, foreign exchange gains or losses, and fair value gains or losses, associated with the Convertible Bonds (CB) issued in 2017.*

2H 2018: Strong Growth Outlook on Numerous Fronts

Management expects the following business trends to benefit its operating performance in 2H 2018

GI Segment

- **Strong demand outlook:**
 - ✓ Securing of new customers
 - ✓ Relocation of new companies into industrial parks
 - ✓ Continued closure of small “dirty” boilers
- **Continued ramping up of GI Projects**
 - ✓ Expected grid connection to bring in additional **electricity** revenue to Changrun
 - ✓ Provision of **heat** to residents during winter to bring in additional heat revenue and the heat supply is entitled to government subsidies
 - ✓ Continued pipeline connections to bring in more customers
- **Expected contribution from Yongxing Plant**
- **Potential M&A contributions**
 - ✓ 3 projects in late-stage evaluation
 - ✓ Other projects in pipeline

M&S Segment

- **Demand for Sunpower’s products and services remains strong**
- **Cost control initiatives**
- **Expansion into new areas and markets**

Appendices



Income Statement Summary

RMB million	With financial effects of CB*		% Change	Without financial effects of CB*		%Change
	1H2018	1H2017		1H2018	1H2017	
Revenue	1,219.6	719.1	69.6	1,219.6	719.1	69.6
Gross Profit	245.0	171.4	42.9	245.0	171.4	42.9
Gross Margin	20.1%	23.8%	(3.7 pps)	20.1%	23.8%	(3.7 pps)
SG&A*	142.6	99.5	43.3	142.6	99.5	43.3
Exchange loss	19.7	5.2	280	14.1	10.8	30.5
Fair value gain/(loss) on CBs	13.6	75.4	(82)	-	-	n.m.
Pre-tax Profit	10.9	(41.1)	-	67.7	58.9	14.9
Underlying Net Profit	-	-	n.m.	72.5	58.2	24.6
PATMI	1.4	(51.5)	-	58.2	48.6	19.8
Basic EPS (RMB cents)	0.2	(7.0)	-	7.9	6.6	-

pps: percentage points

*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.

Balance Sheet Summary

RMB million	As of June 30, 2018 With financial effects of CB*	As of June 30, 2018 Without financial effects of CB*	As of March 31, 2018 With financial effects of CB*	As of March 31, 2018 Without financial effects of CB*
Cash and cash equivalents	755.4	755.4	645.9	645.9
Trade Receivables	1312.1	1312.1	1232.0	1232.0
Inventories	393.9	393.9	412.9	412.9
Total Current Assets	3108.2	3108.2	2832.5	2832.5
Non Current Assets	2354.1	2354.1	2161.9	2161.9
Short-term Borrowings	509.9	509.9	538.4	538.4
Current Liabilities	2448.6	2442.7	2241.0	2239.5
Long-term Borrowings	782.2	782.2	570.6	570.6
Convertible bonds liability	738.0	716.3	634.2	716.3
Equity attributable to equity holders of the Company	1259.1	1286.8	1344.2	1263.6
Total equity	1447.9	1475.6	1511.8	1431.2

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Cash Flow Summary

RMB (million)	1H2018	FY2017	FY2016
Net cash generated from operating activities	40.9 ⁽¹⁾	85.9 ⁽²⁾	146.1
Interest expense	46.8	33.6	24.9
Net cash (used in) investing activities	(328.7)	(692.6)	(359.6)
Net cash from financing activities	140.6	1228.1	97.1

(1) Underlying operating cash flow was RMB72.6 million after adjusting for CB interest of RMB17.6 million and FX loss of RMB14.1 million

(2) Underlying operating cash flow was RMB112.4 million after adjusting CB FX loss of RMB26.5 million in relation to unutilized CB

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