

SUNPOWER GROUP LTD.

Unaudited Financial Statements for the First Quarter Ended 31 March 2013

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 FIRST QUARTER ENDED 31 MARCH 2013

(RMB'000)	First quarter ended		% change
	31 March 2013	31 March 2012	
Revenue	215,870	192,255	12.3
Cost of sales	(166,807)	(147,394)	13.2
Gross profit	49,063	44,861	9.4
Other operating income ⁽¹⁾	2,154	1,457	47.8
Selling and distribution expenses	(7,604)	(6,878)	10.6
Administrative expenses	(30,177)	(25,887)	16.6
Other operating expenses	(100)	(134)	(25.4)
Finance costs	(7,449)	(9,785)	(23.9)
Profit before income tax	5,887	3,634	62.0
Income tax expense	(2,520)	(1,294)	94.7
Profit for the period representing total comprehensive income for the period	3,367	2,340	43.9
Total comprehensive income for the period attributable to:			
Equity holders of the Company	4,679	3,616	29.4
Non-controlling interest	(1,312)	(1,276)	2.8
Profit for the financial period	3,367	2,340	43.9

n.m. – not meaningful

1(a)(ii) Other information:

(RMB'000)	First quarter ended		% change
	31 March 2013	31 March 2012	
Depreciation expense	4,864	4,821	0.9
Interest expense	7,449	9,785	(23.9)
Amortisation of land use rights	340	339	-
Amortisation of trademark	74	73	-
Reversal of impairment allowance on inventories	(149)	-	n.m.
Reversal of impairment allowance on trade and non-trade receivables	(167)	(3,130)	94.7
Loss on disposal of property, plant and equipment	24	-	n.m.

Note 1:

Other operating income comprises:

(RMB'000)	First quarter ended		% change
	31 March 2013	31 March 2012	
Government grant	1,445	1,048	37.9
Interest income	648	328	97.6
Foreign exchange gain	-	73	(100.0)
Others	61	8	n.m.
Total	<u>2,154</u>	<u>1,457</u>	47.8

n.m. – not meaningful

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

STATEMENT OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) 31 March 2013	(Audited) 31 December 2012	(Unaudited) 31 March 2013	(Audited) 31 December 2012
ASSETS				
Current assets:				
Cash and bank balances	130,896	142,409	26	27
Pledged bank deposits	95,010	80,373	-	-
Trade receivables	1,071,687	1,059,796	-	-
Other receivables, deposits and prepayments	129,050	106,079	133	155
Inventories	252,175	228,778	-	-
Land use rights	1,412	1,412	-	-
Total current assets	1,680,230	1,618,847	159	182
Non-current assets:				
Land use rights	50,083	50,423	-	-
Property, plant and equipment	232,693	219,889	-	-
Other receivables, deposits and prepayments	9,874	9,031	-	-
Investment in subsidiaries	-	-	160,984	160,984
Trademark	365	439	-	-
Deferred tax assets	7,308	7,424	-	-
Total non-current assets	300,323	287,206	160,984	160,984
Total assets	1,980,553	1,906,053	161,143	161,166
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	865,968	791,959	-	-
Other payables	129,228	141,701	60,483	57,953
Borrowings	422,537	410,206	-	-
Income tax payable	8,727	11,504	-	-
Total current liabilities	1,426,460	1,355,370	60,483	57,953
Non-current liability:				
Deferred tax liabilities	2,201	2,158	-	-
Capital and reserves:				
Share capital	27,230	27,230	27,230	27,230
Share premium	35,275	35,275	35,275	35,275
General reserves	39,571	39,102	-	-
Accumulated profits	426,208	421,998	38,155	40,708
Equity attributable to equity holders of the Company	528,284	523,605	100,660	103,213
Non-controlling interest	23,608	24,920	-	-
Total equity	551,892	548,525	100,660	103,213
Total liabilities and equity	1,980,553	1,906,053	161,143	161,166

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

Amount payable in one year or less, or on demand

(RMB'000)	As at 31 March 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
Borrowings	55,000	367,537	65,000	345,206

Amount payable after one year

(RMB'000)	As at 31 March 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	-	-

Details of any collaterals:

<u>Collateral</u>	31 March 2013 RMB'000	31 December 2012 RMB'000
Land-use rights and buildings of subsidiaries	55,000	65,000

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.**

STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

RMB'000	First quarter ended	
	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
Operating activities		
Profit before income tax	5,887	3,634
Adjustments for:		
Depreciation expense	4,864	4,821
Interest expense	7,449	9,785
Amortisation of land use rights	340	339
Amortisation of trademark	74	73
Loss on disposal of property, plant and equipment	24	-
Reversal of impairment allowance on inventories	(149)	-
Interest income	(648)	(328)
Reversal of impairment allowance on trade and non-trade receivables	(167)	(3,130)
Operating cash flows before movements in working capital	17,674	15,194
Trade receivables	(11,724)	(36,022)
Other receivables and prepayments	(22,971)	(8,690)
Inventories	(23,248)	(5,508)
Trade payables	74,009	62,496
Other payables	(13,469)	(8,889)
Cash generated from operations	20,271	18,581
Income tax paid	(5,138)	(1,463)
Interest received	648	328
Interest paid	(6,453)	(8,828)
Net cash generated from operating activities	9,328	8,618
Investing activities		
Purchase of property, plant and equipment	(17,701)	(8,117)
Deposit for acquisition of intangible asset	(843)	-
Purchase of land use rights	-	(2,566)
Proceeds from disposal of property, plant and equipment	9	-
Net cash used in investing activities	(18,535)	(10,683)
Financing activities		
Proceeds from new borrowings	82,331	85,000
Pledged bank deposits	(14,637)	(24,435)
Repayment of borrowings	(70,000)	(63,981)
Net cash used in financing activities	(2,306)	(3,416)
Net decrease in cash and cash equivalents	(11,513)	(5,481)
Cash and bank balances at beginning of year	142,409	107,551
Cash and bank balances at end of period	130,896	102,070

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.

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 2012	27,230	35,275	37,881	367,435	467,821	23,855	491,676
Total comprehensive income for January to March 2012	-	-	-	3,616	3,616	(1,276)	2,340
Transfer to general reserves	-	-	108	(108)	-	-	-
Balance at 31 March 2012	27,230	35,275	37,989	370,943	471,437	22,579	494,016
Total comprehensive income for April to December 2012	-	-	-	57,128	57,128	2,341	59,469
Dividends paid	-	-	-	(4,960)	(4,960)	-	(4,960)
Transfer to general reserves	-	-	1,113	(1,113)	-	-	-
Balance at 31 December 2012	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

<u>Company</u>	Share capital	Share premium	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	27,230	35,275	54,301	116,806
Total comprehensive income for January to March 2012	-	-	(3,675)	(3,675)
Balance at 31 March 2012	27,230	35,275	50,626	113,131
Total comprehensive income for April to December 2012	-	-	(9,918)	(9,918)
Dividend paid				
Balance at 31 December 2012	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

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 2013 and 31 March 2012 and no outstanding convertibles or treasury shares held as at 31 March 2013 and 31 December 2012.

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 2013, 31 March 2012, and 31 December 2012 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 2013, 31 March 2012, and 31 December 2012.

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 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, 2013. 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 2013	31 March 2012
Earnings per share – basic (RMB cents)	1.42	1.10

Basic earnings per share for the first quarter ended 31 March 2013 and 2012 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 2013	31 December 2012	31 March 2013	31 December 2012
Net asset value per share (RMB cents)	160.57	159.15	30.60	31.37

The net asset value per share for 31 March 2013 and 31 December 2012 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 2013 ("1Q2013") as compared to that of the first quarter ended 31 March 2012 ("1Q2012")

Revenue

The Group's revenue increased by 12.3% or RMB 23.6 million from RMB 192.3 million in 1Q2012 to RMB 215.9 million in 1Q2013. This was attributable to the increase in revenue segments other than Heat Pipes and Heat Pipe Exchangers segment, particularly an increase from revenue generated from the Heat Exchangers and Pressure Vessels segment of RMB 20.2 million.

Gross Profit

Gross profit improved by RMB 4.1 million or 9.4% from RMB 44.9 million in 1Q2012 to RMB 49.0 million in 1Q2013. Gross profit margin decreased marginally from 23.3% in 1Q2012 to 22.7% in 1Q2013.

Profit before Income Tax

The Group posted a profit before income tax of approximately RMB 5.9 million for 1Q2013, an increase of RMB 2.3 million or 62.0% as compared to the preceding period mainly due to:

- (a) Improvement in gross profit and other operating income of approximately RMB 4.9 million in aggregate;
- (b) Decrease in finance costs of RMB 2.3 million which was offset by
- (c) Increase in selling and distribution, and administrative expenses aggregated to RMB 4.9 million as a result of higher research expenses of RMB 1.0 million and decrease in reversal of impairment allowance on trade and non-trade receivables of RMB 3.0 million.

Income Tax Expense

The effective tax rate was higher in 1Q2012 due to the expiry of the 50% exemption from PRC income tax for Sunpower Machinery which is currently taxed at 25% and taxable profit made by the Group which was offset by losses incurred by a subsidiary and the holding company.

Profit for the Financial Period

In respect of the above, the Group's net profit attributed to the shareholders increased by RMB 1.1 million or 29.4% from RMB 3.6 million in 1Q2012 to RMB 4.7 million in 1Q2013.

- (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 increased approximately RMB 61.4 million or 3.78% from RMB 1,618.8 million as at 31 December 2012 to RMB 1,680.2 million as at 31 March 2013 mainly due to:

- (a) Increase in pledged bank deposits of RMB 14.6 million due to requirement by the financial institution to set aside as collateral security for the credit facilities granted;
- (b) Increase in trade receivables of RMB 11.9 million;
- (c) Increase in other receivables, deposits and prepayments of RMB 23.0 million due to increase in prepaid purchases made in view of the high production book order in the forthcoming months; and
- (d) Increase in inventories of RMB 23.4 million in view of higher production.

The Group's total current liabilities increased by approximately RMB 71.1 million or 5.2% from RMB 1,355.4 million as at 31 December 2012 to RMB 1,426.5 million as at 31 March 2013 mainly due to increase in trade payables of RMB 74.0 million consisting increase in customer advances received due to the orders secured for the period under review.

Review of the Group's Cash Flow Statement for the first quarter ended 31 March 2013

Net cash generated from operating activities amounted to approximately RMB 9.3 million. This was primarily due to cash generated arising from:

- (a) Operating cash flows before movements in working capital of approximately RMB 17.7 million;
- (b) The increase in trade payables of approximately RMB 74.0 million which outweighed the cash outflows from the increase in trade receivables, other receivables, deposits and prepayments, and inventories, and decrease in other payables of RMB 71.4 million in aggregate; and
- (c) Payment of interest and tax of RMB 11.6 million in aggregate.

Net cash used in investing activities amounted to RMB 18.5 million mainly for the purchase of intangible assets and plant and equipment.

Net cash used in financing activities amounted to RMB 2.3 million due to the net proceeds from bank borrowings amounting to approximately RMB 12.3 million and pledged bank deposits requirement of RMB 14.6 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 2012.

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.

Sunpower Group's revenue increased by 12.3% and net profit attributable to shareholders increased by 43.9% in 1Q2013 compared with 1Q2012 mainly due to order books fulfilled in this quarter in view of the delivery time of the contracts.

In 1Q2013, the global economy is gradually improving, but has not yet fully recovered. The exchange rate of Chinese currency (RMB) to US dollar has been continuously rising. This caused pressure to the export and increased labor costs. Meanwhile, the monetary policy is still loose which brings inflationary pressure and Sunpower Group might face the challenges ahead in view of these factors.

However, China government's supporting policies in the energy saving and environmental protection industry and China economic restructuring and optimization would bring more opportunities to the Group such as coal chemical and other new energy industries. This will bring more demand for the petrochemical equipment and facilities. The Group believes that they can seize these opportunities to secure more orders in the future.

Barring any unforeseen circumstances, the directors expect the Group to continue to be profitable in FY2013.

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 2013.

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 2013 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

14 May 2013