

SUNPOWER GROUP LTD.

Unaudited Financial Statements for the Second Quarter Ended 30 June 2015

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 2015

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2015	30 June 2014	% change	30 June 2015	30 June 2014	% change
Revenue	348,333	301,352	15.6	568,376	559,315	1.6
Cost of sales	(280,230)	(225,804)	24.1	(442,550)	(422,680)	4.7
Gross profit	68,103	75,548	(9.9)	125,826	136,635	(7.9)
Other operating income ⁽¹⁾	4,158	1,049	296.4	6,493	3,967	63.7
Selling and distribution expenses	(9,721)	(8,603)	13.0	(18,022)	(16,656)	8.2
Administrative expenses	(33,826)	(34,041)	(0.6)	(67,257)	(64,850)	3.7
Other operating expenses	(4,118)	(849)	385.0	(4,222)	(5,478)	(22.9)
Finance costs	(6,336)	(7,161)	(11.5)	(12,387)	(14,369)	(13.8)
Profit before income tax	18,260	25,943	(29.6)	30,431	39,249	(22.5)
Income tax expense	(3,057)	(4,975)	(38.6)	(5,615)	(7,682)	(26.9)
Profit for the period	15,203	20,968	(27.5)	24,816	31,567	(21.4)
Other comprehensive income						
Item that may be reclassified subsequently to profit and loss						
Exchange difference on translation of foreign operation	(8)	-	n.m	-	-	-
Total comprehensive income for the period	15,195	20,968	(27.5)	24,816	31,567	(21.4)
Profit for the period attributable to:						
Equity holders of the Company	15,168	21,951	(30.9)	25,564	33,390	(23.4)
Non-controlling interest	35	(983)	103.6	(748)	(1,823)	(59.0)
Profit for the period	15,203	20,968	(27.5)	24,816	31,567	(21.4)
Total comprehensive income for the period attributable to:						
Equity holders of the Company	15,160	21,951	(30.9)	25,564	33,390	(23.4)
Non-controlling interest	35	(983)	103.6	(748)	(1,823)	(59.0)
Profit for the period	15,195	20,968	(27.5)	24,816	31,567	(21.4)

1(a) (ii) Other information:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
Depreciation expense	5,133	5,968	(14.0)	11,909	12,005	(0.8)
Amortisation of land use rights	353	353	-	706	706	-
Amortisation of intangible assets	607	680	(10.7)	1,214	1,360	(10.7)
Impairment allowance on trade and non-trade receivables	3,889	708	449.3	3,889	5,237	(25.7)
Reversal of impairment allowance on trade and non-trade receivables	(2,487)	-	n,m	(3,603)	-	n,m
(Reversal of) Impairment allowance on inventories	-	-	-	(153)	626	(124.4)
Interest expense	6,336	7,161	(11.5)	12,387	14,369	(13.8)
Loss on disposal of property, plant and equipment	62	67	(7.5)	140	64	118.8

Note:

Other operating income comprises:

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
Government grant	906	343	164.1	1,014	2,598	(61.0)
Interest income	508	329	54.4	1,471	673	118.6
Net foreign exchange gain	-	201	(100.0)	-	201	(100.0)
Reversal of impairment allowance on trade and non-trade receivables	2,487	-	n.m.	3,603	-	n.m.
Others	257	176	46.0	405	495	(18.2)
Total	4,158	1,049	296.4	6,493	3,967	63.7

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 2015	(Audited) 31 December 2014	(Unaudited) 30 June 2015	(Audited) 31 December 2014
ASSETS				
Current assets:				
Cash and cash equivalents	153,872	110,486	1,449	5,262
Pledged bank deposits	59,391	72,616	-	-
Trade receivables	1,007,766	1,035,494	-	-
Other receivables, deposits and prepayments	87,535	64,871	8,763	8,989
Inventories	272,830	265,325	-	-
Land use rights	1,411	1,411	-	-
Total current assets	1,582,805	1,550,203	10,212	14,251
Non-current assets:				
Land use rights	46,893	47,599	-	-
Property, plant and equipment	282,888	282,672	-	-
Investment in subsidiaries	-	-	113,123	112,084
Other receivables, deposits and prepayments	-	-	40,000	40,000
Intangible assets	7,485	8,700	-	-
Deferred tax assets	10,711	11,065	-	-
Total non-current assets	347,977	350,036	153,123	152,084
Total assets	1,930,782	1,900,239	163,335	166,335
LIABILITIES AND EQUITY				
Current liabilities:				
Trade payables	689,338	652,233	-	-
Other payables	105,798	126,038	30,589	28,727
Borrowings	401,575	410,994	-	-
Income tax payable	11,672	12,608	-	-
Total current liabilities	1,208,383	1,201,873	30,589	28,727
Non-current liabilities:				
Deferred tax liabilities	2,930	2,824	-	-
Capital and reserves:				
Share capital	31,281	31,281	31,281	31,281
Share premium	75,379	75,379	75,379	75,379
General reserves	53,939	51,642	909	-
Foreign currency translation reserve	(12)	(12)	-	-
Accumulated profits	537,632	515,254	25,177	30,948
Equity attributable to equity holders of the Company	698,219	673,544	132,746	137,608
Non-controlling interest	21,250	21,998	-	-
Total equity	719,469	695,542	132,746	137,608
Total liabilities and equity	1,930,782	1,900,239	163,335	166,335

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 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Borrowings	100,000	301,575	120,892	290,102

Amount repayable after one year

(RMB'000)	As at 30 June 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
Borrowings	-	-	-	-

Details of any collaterals:

<u>Collaterals</u>	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Bank deposit	50,000	-
Bills payable	-	15,892
Land-use rights and buildings of subsidiaries	50,000	105,000

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 2015

(RMB'000)	Second quarter ended		Six months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Operating activities				
Profit before income tax	18,260	25,943	30,431	39,249
Adjustments for:				
Depreciation expense	5,133	5,968	11,909	12,005
Interest expense	6,336	7,161	12,387	14,369
Amortisation of land use rights	353	353	706	706
Amortisation of intangible assets	607	680	1,214	1,360
Loss on disposal of property, plant and equipment	62	67	140	64
(Reversal of) Impairment allowance on inventories	-	-	(153)	626
Interest income	(508)	(329)	(1,471)	(673)
Impairment allowance on trade and non-trade receivables	1,402	708	286	5,237
Operating cash flows before movements in working capital	31,645	40,551	55,449	72,943
Trade receivables	(50,032)	6,148	27,442	158,449
Other receivables, deposits and prepayments	2,187	(118)	(22,664)	(930)
Inventories	26,736	9,352	(7,351)	(49,771)
Trade payables	7,614	11,635	37,105	(43,295)
Other payables	13,189	12,812	(19,329)	(11,115)
Cash generated from operations	31,339	80,380	70,652	126,281
Income tax paid	(1,480)	(3,510)	(6,091)	(9,748)
Interest received	507	329	1,471	673
Interest paid	(6,336)	(7,161)	(12,387)	(15,505)
Net cash generated from operating activities	24,030	70,038	53,645	101,700
Investing activities				
Purchase of property, plant and equipment	(7,505)	(5,048)	(12,340)	(46,273)
Payment for land use rights acquired in 2013	-	-	-	(8,098)
Proceeds from disposal of property, plant and equipment	10	48	74	51
Net cash used in investing activities	(7,495)	(5,000)	(12,266)	(54,320)
Financing activities				
Proceeds from new borrowings	183,285	157,070	291,314	228,976
Proceeds of share issuance	-	44,155	-	44,155
Repayment of borrowings	(190,285)	(220,627)	(300,733)	(265,725)
Pledged bank deposits	9,399	4,536	13,225	9,455
Payment of dividend	(1,799)	(1,643)	(1,799)	(1,643)
Net cash generated from/(used in) financing activities	600	(16,509)	2,007	15,218
Net increase in cash and cash equivalents	17,135	48,529	43,386	62,598
Cash and cash equivalents at beginning of period	136,745	132,867	110,486	118,798
Effects of foreign exchange rate changes	(8)	-	-	-
Cash and cash equivalents at end of period	153,872	181,396	153,872	181,396

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	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 2014	27,230	35,275	46,567	-	-	465,888	574,960	21,819	596,779
Profit for January to March 2014, representing total comprehensive income for the period	-	-	-	-	-	11,439	11,439	(840)	10,559
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserves	-	-	1,565	-	-	(1,565)	-	-	-
Total	-	-	1,565	-	-	(1,565)	-	-	-
Balance at 31 March 2014	27,230	35,275	48,132	-	-	475,762	586,399	20,979	607,378
Total comprehensive income for April to June 2014									
Profit for April to June 2014, representing total comprehensive income for the period	-	-	-	-	-	21,951	21,951	(983)	20,968
<u>Transactions with owners, recognised directly in equity</u>									
Ordinary shares issued	4,051	40,104	-	-	-	-	44,155	-	44,155
Dividend paid	-	-	-	-	-	(1,643)	(1,643)	-	(1,643)
Transfer to general reserves	-	-	2,722	-	-	(2,722)	-	-	-
Total	4,051	40,104	2,722	-	-	(4,365)	42,512	-	42,512
Balance at 30 June 2014	31,281	75,379	50,854	-	-	493,348	650,862	19,996	670,858

<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 2014	31,281	75,379	50,854	-	-	493,348	650,862	19,996	670,858
Total comprehensive income for July to December 2014									
Profit for July to December 2014	-	-	-	-	-	22,694	22,694	2,002	24,696
Other comprehensive loss from July to December 2014	-	-	-	-	(12)	-	(12)	-	(12)
Total	-	-	-	-	(12)	22,694	22,682	2,002	24,684
<u>Transactions with owners, recognised directly in equity</u>									
Transfer to general reserve	-	-	788	-	-	(788)	-	-	-
Total	-	-	788	-	-	(788)	-	-	-
Balance at 31 December 2014	31,281	75,379	51,642	-	(12)	515,254	673,544	21,998	695,542
Total comprehensive income for January to March 2015									
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 reserve	-	-	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>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 31 March 2015	31,281	75,379	52,262	-	(4)	525,031	683,949	21,215	705,164
Total comprehensive income for April to June 2015									
Profit for April to June 2015	-	-	-	-	-	15,168	15,168	35	15,203
Other comprehensive loss 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>									
Transfer to general reserve	-	-	768	-	-	(768)	-	-	-
Dividend paid	-	-	-	-	-	(1,799)	(1,799)	-	(1,799)
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>Company</u>	Share capital	Share premium	Share option reserve	Accumulated profits	Equity attributable to equity holders of the Company	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	27,230	35,275	-	36,700	99,205	99,205
Loss for the period, representing total comprehensive loss for January to March 2014	-	-	-	(2,469)	(2,469)	(2,469)
Balance at 31 March 2014	27,230	35,275	-	34,231	96,736	96,736
Loss for the period, representing total comprehensive loss for April to June 2014	-	-	-	(3,371)	(3,371)	(3,371)
<u>Transactions with owners, recognised directly in equity</u>						
Ordinary shares issued	4,051	40,104	-	-	44,155	44,155
Dividends paid	-	-	-	(1,643)	(1,643)	(1,643)
Total	4,051	40,104	-	(1,643)	42,512	42,512
Balance at 30 June 2014	31,281	75,379	-	29,217	135,877	135,877
Profit for the period, representing total comprehensive income for July to December 2014	-	-	-	1,731	1,731	1,731
Balance at 31 December 2014	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, recognized 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

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 was no change in share capital during the half year ended 30 June 2015.

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.

There were no outstanding convertibles or treasury shares held as at 30 June 2015, 31 December 2014 and 30 June 2014.

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 2015, 31 December 2014 and 30 June 2014 is 394,800,000 ordinary shares.

There were no shares held as treasury shares as at 30 June 2015, 31 December 2014 and 30 June 2014.

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, 2015. 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

	Second quarter ended		Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net profit attributable to equity holders of the Group (RMB'000)	15,168	21,951	25,564	33,390
Weighted average number of ordinary shares outstanding ('000)	394,800	364,824	394,800	346,912
Earnings per share – basic (RMB cents)	3.84	6.02	6.48	9.62

Basic earnings per share for second quarter and half year ended 30 June 2015 and 30 June 2014 have been calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding.

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

	Second quarter ended		Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net profit attributable to equity holders of the Group (RMB'000)	15,168	21,951	25,564	33,390
Weighted average number of ordinary shares outstanding ('000)	418,257	364,824	406,387	346,912
Earnings per share – diluted (RMB cents)	3.63	6.02	6.29	9.62

Diluted earnings per share for the above periods have been calculated assuming the share options granted have been exercised during 2Q2015.

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 2015	31 December 2014	30 June 2015	31 December 2014
Net asset value per share (RMB cents)	176.85	170.60	33.62	34.86

The net asset value per share for 30 June 2015 and 31 December 2014 has been computed based on shareholder's equity as at these dates and the existing share capital of 394,800,000 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 second quarter ended 30 June 2015 ("2Q2015") as compared to that of the second quarter ended 30 June 2014 ("2Q2014")

Revenue

The Group's revenue increased by RMB 47.0 million or 15.6% from RMB 301.4 million in 2Q2014 to RMB 348.3 million in 2Q2015. This was attributed to an aggregate increase of RMB 81.8 million from the Heat Exchangers and Pressure Vessels segment and Energy Saving and Environmental

Protection Systems segment. The increase was offset by an aggregate decrease of RMB 34.9 million from Pipe Supports segment and Heat Pipes and Heat Pipe Exchangers segment.

Gross Profit

Gross profit declined by approximately RMB 7.4 million or 9.9% from RMB 75.5 million 2Q2014 to RMB 68.1 million in 2Q2015. Gross profit margin decreased from 25.1% for 2Q2014 to 19.6% for 2Q2015 mainly due to lower gross margin achieved by the Heat Exchangers and Pressure Vessels segment which was caused by more intensive competition in this segment.

Profit before Income Tax

The Group's profit before tax decreased by RMB 7.7 million or 29.6% from RMB 25.9 million in 2Q2014 to RMB 18.3 million in 2Q2015. The decrease was mainly attributable to the following factors:

- a) Decrease in the gross profit of RMB 7.4 million;
- b) Increase in selling and distribution expenses of RMB 1.1 million due mainly to higher staff remuneration as a result of higher skilled personnel being recruited to fulfil the Group's growth plans; and
- c) Higher impairment allowance on trade and non-trade receivables of RMB 3.2 million recognised in 2Q2015 when compared to the corresponding period.

The above factors were mitigated by:

- a) Increase in other operating income of RMB 3.1 million mainly due to the reversal of impairment allowance on trade and non-trade receivables of RMB 2.5 million;
- b) Deferred government grants of approximately RMB 8.0 million have been recognized in 2Q2015 by offsetting the property, plant and equipment acquired and other administrative expenses. As a result, depreciation expense and other administrative expenses were reduced by RMB 1.6 million and RMB 2.0 million respectively in 2Q2015.

Income Tax Expense

The effective income tax rate of 16.7% for 2Q2015 is slightly lower than the 19.2% for 2Q2014 as two of the subsidiaries, Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd and Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd are recently awarded the Hi-Tech Enterprise status during 2Q2015, which entitled them to a preferential taxation of 15%.

Profit for the Financial Period

In respect of the above, the Group's net profit attributable to the shareholders decreased by RMB 6.8 million or 30.9% from RMB 22.0 million in 2Q2014 to RMB 15.2 million in 2Q2015.

- (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 by RMB 32.6 million or 2.1% from RMB 1,550.2 million as at 31 December 2014 to RMB 1,582.8 million as at 30 June 2015 mainly due to the effects of the following:

- (a) Increase in cash and cash equivalents of RMB 43.4 million;
- (b) Increase in other receivables, deposits and prepayments of RMB 22.7 million resulting from the increased advance payments for purchases to fulfil orders on hand; and
- (c) Increase in inventories of RMB 7.5 million mainly due to increase in finished goods of RMB 63.7 million to fulfil the sales orders, which was offset by decrease in raw materials and work in progress of RMB 56.3 million.

The above increase was outweighed by the following:

- (a) Decrease in trade receivables of RMB 27.7 million arising mainly from better collection attributable to the efforts of management to follow up with customers; and

Approximately 42.9% and 4.9% of the trade receivables at 31 December 2014 and 30 June 2015 respectively were collected as at 31 July 2015. 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; and

- (b) Decrease in pledged bank deposits of RMB 13.2 million as less cash collateral was required for the credit facilities granted.

The Group's total current liabilities increased by RMB 6.5 million or 0.5% from RMB 1,201.9 million as at 31 December 2014 to RMB 1,208.4 million as at 30 June 2015. The increase was mainly due to the following:

- (a) Increase in trade payables of RMB 37.1 million due largely to increase in trade payables to third parties; which was offset by
- (b) Decrease in other payables of RMB 20.2 million arising mainly from the decrease in accruals for payroll and value-added tax of RMB 17.1 million in aggregate; and
- (c) Decrease in borrowings of RMB 9.4 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 2015

Net cash generated from operating activities amounted to approximately RMB 24.0 million, primarily due to operating cash flows before movements in working capital of approximately RMB 31.6 million that were derived from:

- (a) Higher working capital requirements arising from the increase in trade receivables of RMB 50.0 million;
- (b) Lower working capital requirements due to the decrease in inventories and other receivables of RMB 28.9 million in aggregate as well as increase in trade and other payables of RMB 20.8 million; and
- (c) Interest and income tax paid of RMB 7.8 million in aggregate.

Net cash used in investing activities amounted to RMB 7.5 million mainly as a result of the purchase of property, plant and equipment.

Net cash generated from financing activities amounted to RMB 0.6 million due to cash inflow arising from the proceeds of borrowings of RMB 183.3 million and pledged bank deposits of RMB 9.4 million, which was offset by the repayment of borrowings of RMB 190.3 million and payment for dividend of RMB 1.8 million.

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

The results are in line with the statement made in Section 10 of the announcement of results made for the first quarter ended 31 March 2015.

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.

The world economy was still in a downward trend in 2Q2015, although it is recovering gradually from the slowdown. In addition, there were issues of overcapacity in PRC's equipment manufacturing industry coupled with lower demand. PRC's GDP growth was maintained at 7.0% in 2Q2015, the same as that of 1Q2015. The global economy remains uncertain for the rest of the year, posing challenges to the Group's business. Furthermore, the continuing fall in oil prices has dampened the investment activities in oil and gas globally.

In the face of growing environmental problems, the PRC government has issued many policies to control the increasing air and water pollution. Companies which do not meet the requirements under the environmental policies will be forced to review their processes and implement environmental friendly measures. This is expected to translate into business opportunities for the energy-saving and environmental protection industry.

Going forward, the Group will continue to strengthen its R&D investment in the field of air and water pollution prevention in the Build-Own-Operate ("BOO"), Build-Operate-Transfer ("BOT") or Transfer-Operate-Transfer ("TOT") mode and other services to meet the Group's long-term development strategy.

The total orders on hand amounted to approximately RMB 940.0 million as at 30 June 2015. Barring any unforeseen circumstances, the Directors expect the Group to remain profitable for FY2015.

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 2015.

- 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 2015 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

11 August 2015