

SUNPOWER GROUP LTD.

Investor Presentation

10 November 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)

Green Investment (GI)

Manufacturing				Services				Major Industries	Main Products	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)		<ul style="list-style-type: none"> Petrochemical Chemical Coal Chemical Oil Gas Coal Industry Clean Energy Metallurgy Refinery Pharmacy Mining and steel Power Plant... 	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 ...
				De-sulfurization & De-nitrification System		Petrochemical Engineering				

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 2.2 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

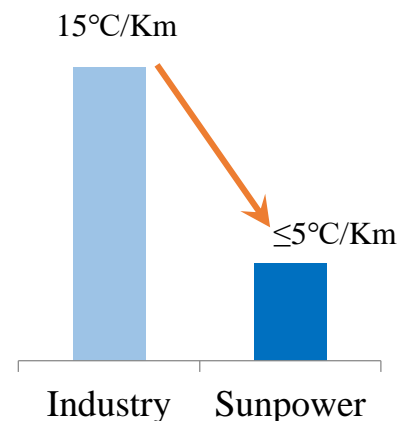


- **Proprietary energy-saving & long-distance distribution technology**
- **Experienced management with full interest alignment: strong discipline in project evaluation & low cost overrun risks**
- **Fully integrated capabilities: in-house design institute, environmental protection manufacturing & services**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

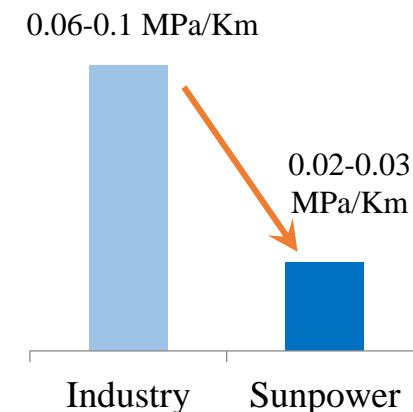
Proprietary Technologies

- **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**

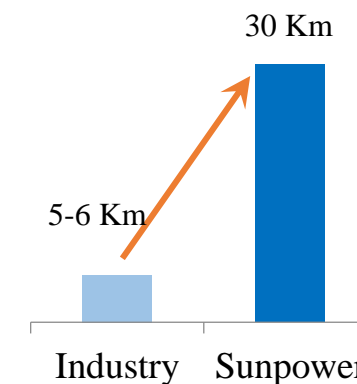
Temperature Loss



Differential Pressure



Coverage Radius



Emission Limit (mg/m ³)	New National Standard for New Build Coal-fired Boilers ⁽¹⁾	New National Standard for Coal-fired Power Boilers	New National Standard for Coal-fired Power Plants in Key Areas ⁽²⁾	New National Standard for Natural Gas	Sunpower's Capability
Dust	50	30	20	5	<5
Sulphur Dioxide, SO ₂	300	100	50	35	<35
Nitrogen Oxide, NO _x	300	100	100	50	<50

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

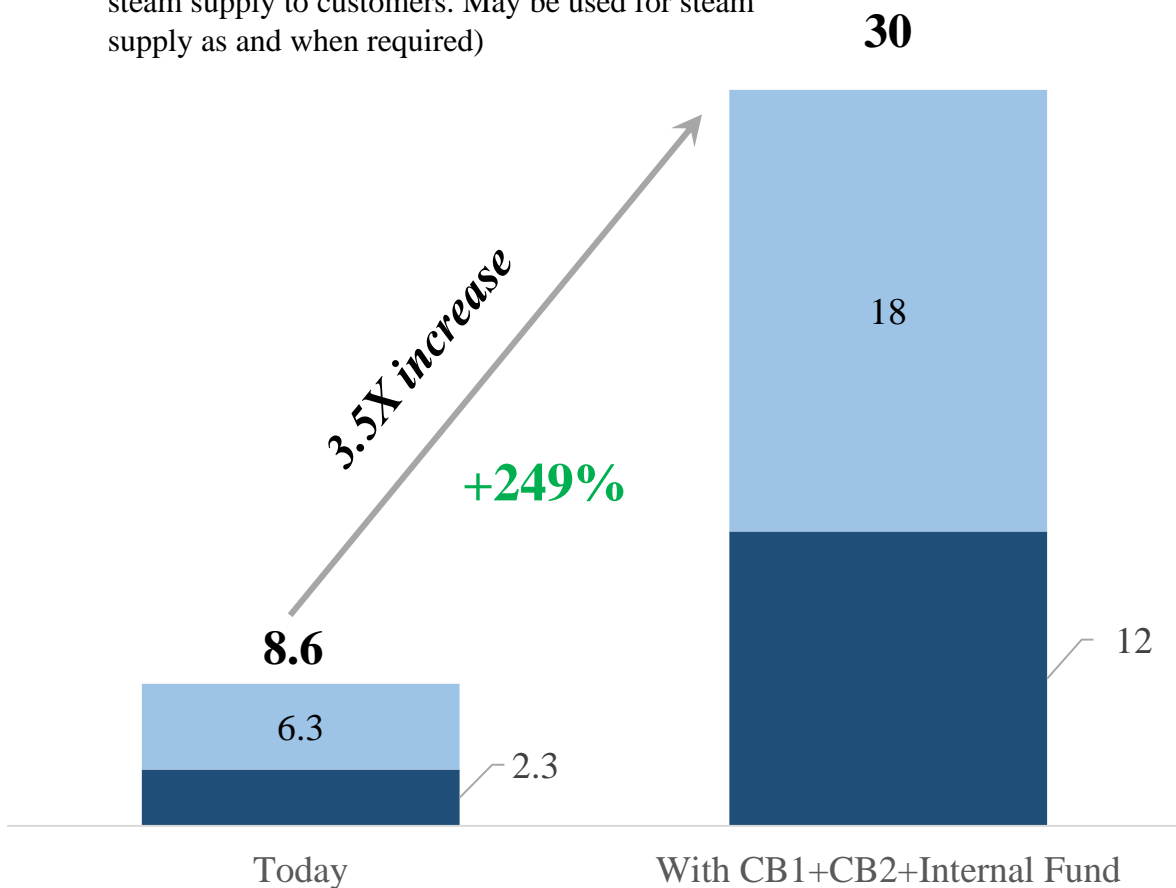
(2) Key Area refers to Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta of China

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

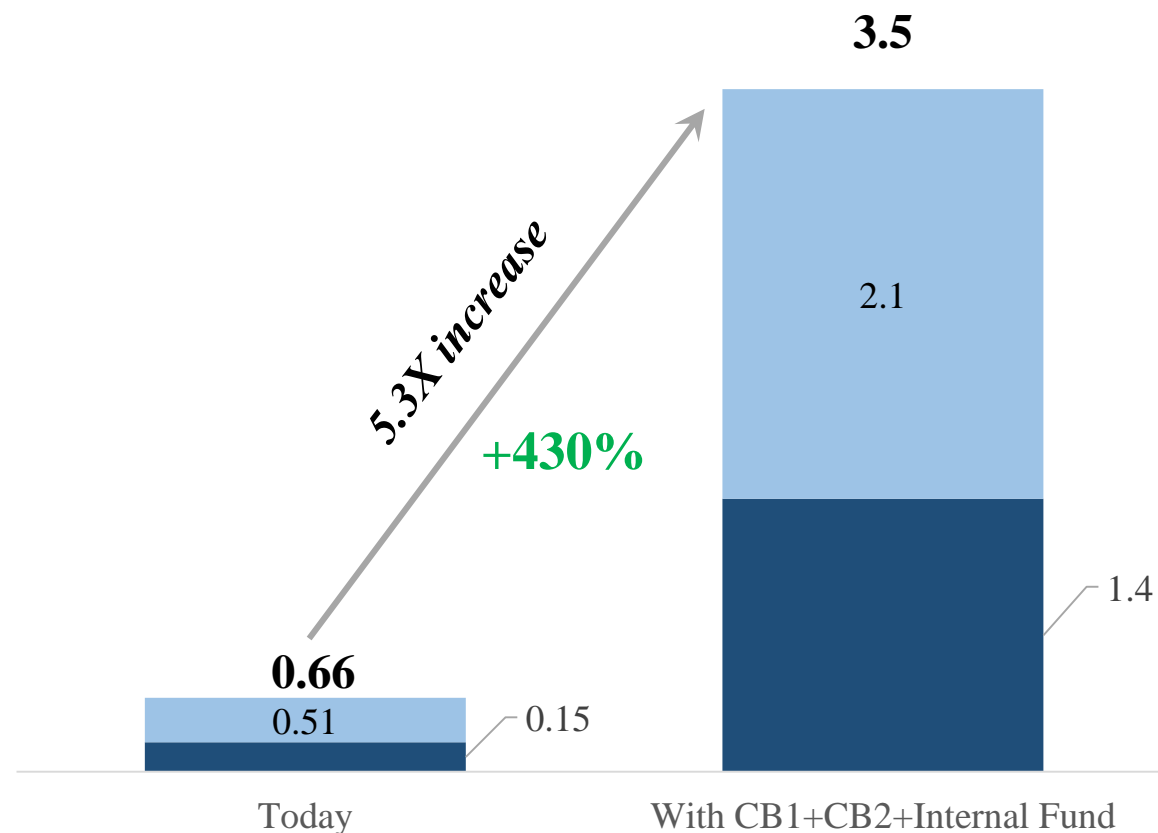
Target to Build Sizeable GI Portfolio

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)



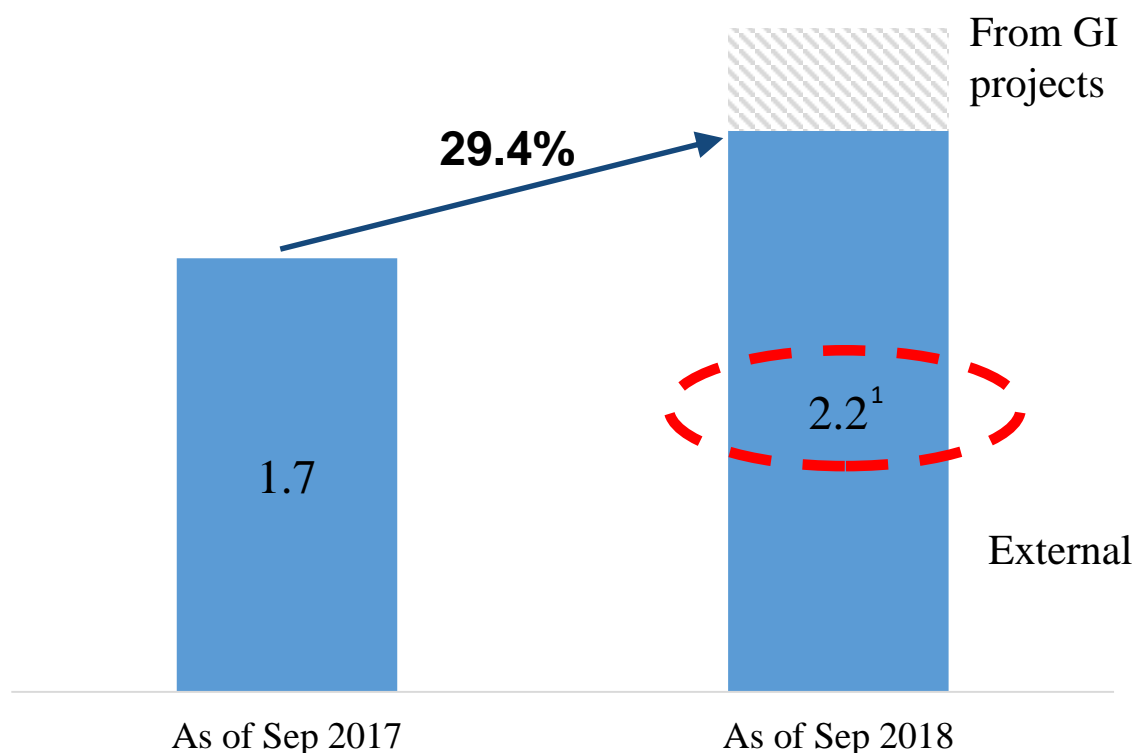
Green
Investments
(GI)



- GI business has seen rapid ramp-up in organic operations since late 2017.
- Generates long-term, recurring & stable cashflow (usually 30-year concessions + first right to renew).
- Strong attractive pipeline of projects under evaluation on top of operating GI projects.
- Target to invest approximately RMB2.5 billion in equity in GI assets by 2021.
- Aim to deliver long-term NPV of future cashflows, substantially higher than current EBITDA contributions.

Order book increased to record RMB2.2 billion as at Q3 2018

Strong Order Book



- **Proven 13-year track record**
 - ✓ Stable and growing revenue
 - ✓ Positive operating cash-flow
- **Resilient & sustainable**
 - ✓ 70% repeat customers
 - ✓ Customers in diversified downstream industries
 - ✓ Access to global projects
- **Advanced proprietary technologies**

(1) Orders secured from external customers, excluding deliveries during the latest period

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



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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The Rapid Expansion of GI Business Exceeds Expectations

- From **0** to **7** operational projects, GI's leap forward has taken only **1.5 years** after the issue of CB1
- With double-digit IRR, all GI projects in operation are in line with or even beat the Company's targets
- Sunpower is on track to materialize the enormous growth potential of the GI strategy

March 2017
(Issue of CB1)

0

Projects
in Operation

1st

mover in the
industry

As at 3Q2018

7

Projects
in Operation

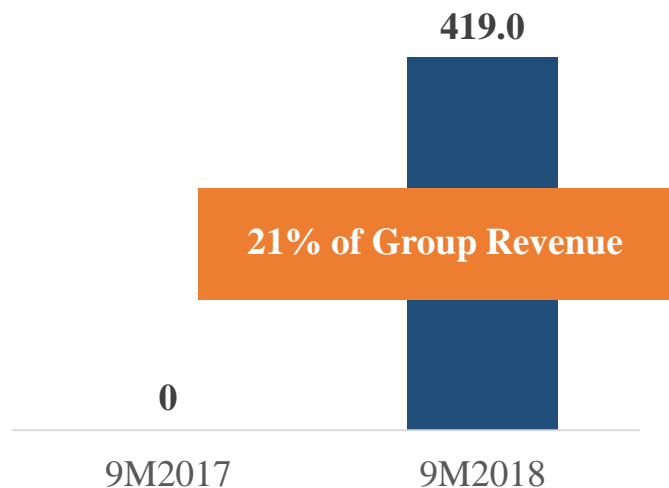


By 2021

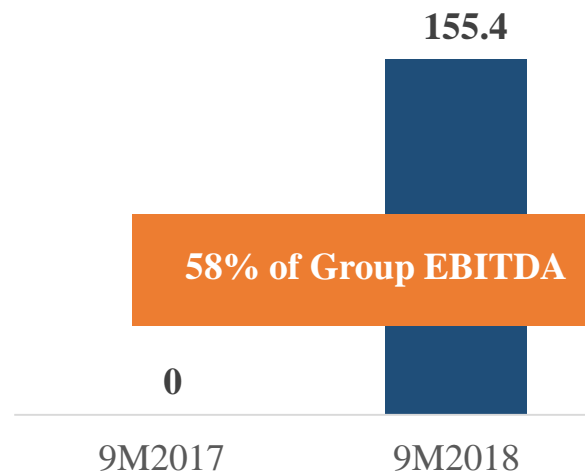
Sizeable GI
portfolio that
delivers long-
term, recurring
and high-quality
income and
cashflows

Strong Acceleration in 3Q2018

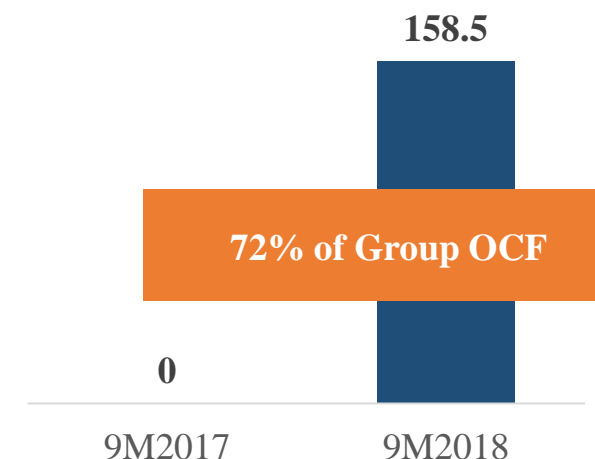
Revenue (RMB mil)



EBITDA (RMB mil)



Operating Cash Flow (RMB mil)



- Growth accelerated in 3Q2018, driven by continued ramp-up of existing projects and completion of M&A of Yongxing Plant, structurally driven by mandatory closure of small coal boilers, industrial park relocation activities and organic growth of customers.
- GI projects are still ramping up, and the Company expects to have full contribution of Yongxing Plant from 4Q2018 and beyond.
- Despite early stage of development, GI projects have started to generate substantial, high-quality cash flows. Organic growth in cashflow will also be a funding source for further future expansion.
- 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 3Q2018.

Significant Acquisition of Yongxing Plant



Transaction: Attractive valuation multiple

Total investment of RMB765 million, secured by RMB306 million of equity

About Yongxing Plant

Capacity: 350 t/h (steam) +36 MW (electricity); full operational

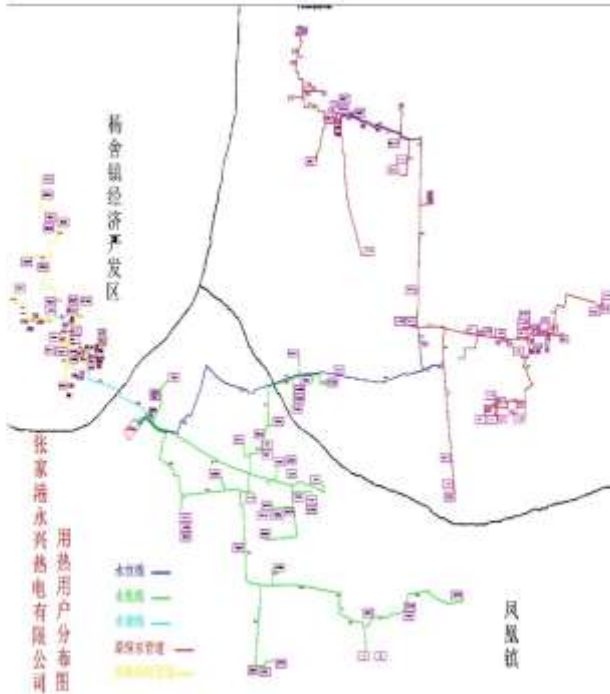
Sizable pipeline network: ~160 km in total length

Customer mix: captive customers concentrated in cashflow-rich industries

Textile	49%
Chemical & Metallurgy	20%
Others	31%

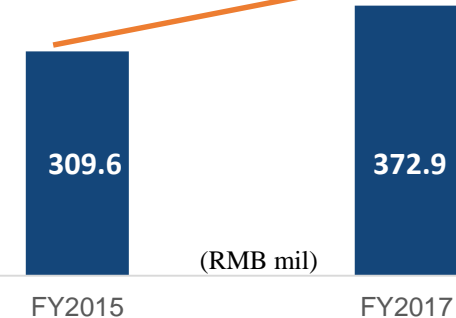
Projects Highlights

- **Strong business fundamentals:** Historically consistent revenue growth.
- **Sustainable business model:**
 - ✓ **Exclusive centralized steam supplier**
 - ✓ **Cost effective: River water** used to generate steam and **zero waste**
- **Ultra-low emissions** - lower than natural gas
- Sustainable growth potential supported by strong demand prospect
- **High IRR:** double-digit investment returns



Geographic Distribution of Yongxing's Customers

Yearly Revenue of Yongxing Plant CAGR +9.7%



Strong Pipeline and Significant Targeted Investment in GI

Sunpower is on target to invest approximately RMB2.5 billion in GI equity by 2021

Update on GI Investments to-date

Status	Total Investments (RMB mm) ⁽¹⁾	SP Equity (RMB mm)
In Operation	2183.0	922.9
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



- **Rapid scale-up:** Acquired 3 “brownfield” projects and built up 4 “greenfield” projects, as of 3Q2018. Total equity investment of RMB923 million.
- **Strong contributions:** Rapid ramp-up of projects in operation has delivered strong growth, and these projects are still ramping up.
- **Remaining projects on-track:**
 - ✓ RMB382 million in equity deployed for projects under construction. Planning to complete by 2019.
 - ✓ Projects to be constructed also on-track with better visibilities. To kick off construction when related government approvals are granted.
- **Tangible progress on pipeline:**
 - ✓ A couple of projects in late stages of evaluation.
 - ✓ Robust pipeline of projects in different stages of evaluation with total value >RMB3.0 billion.

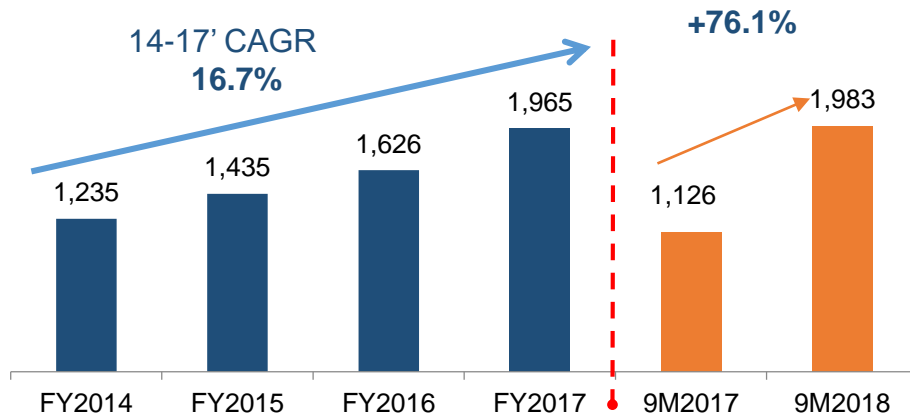
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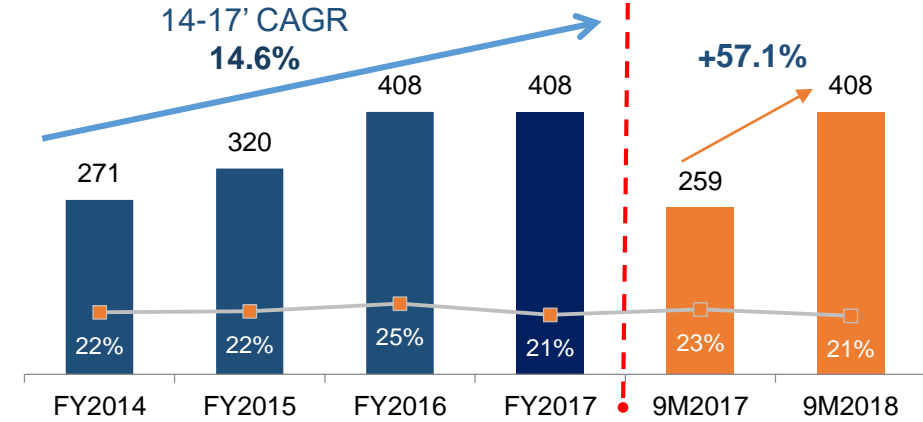
Stepping Up The Pace

GI drove acceleration in top and bottomline growth in 3Q2018 and 9M2018

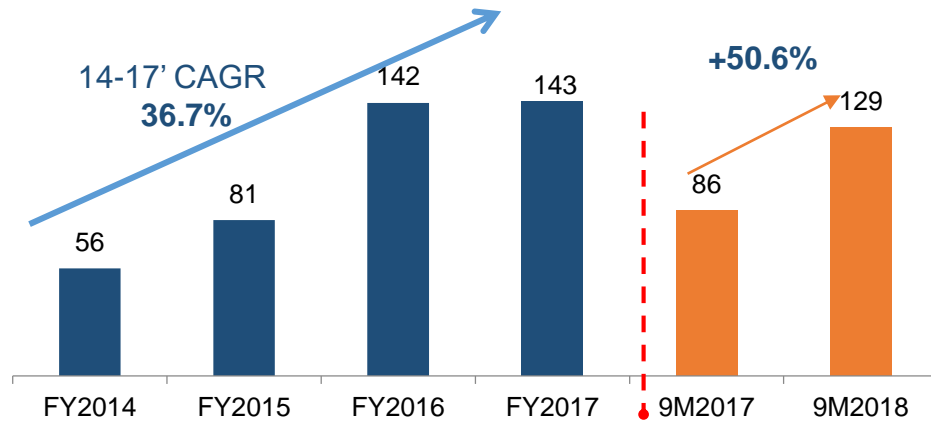
Revenue (RMB mil)



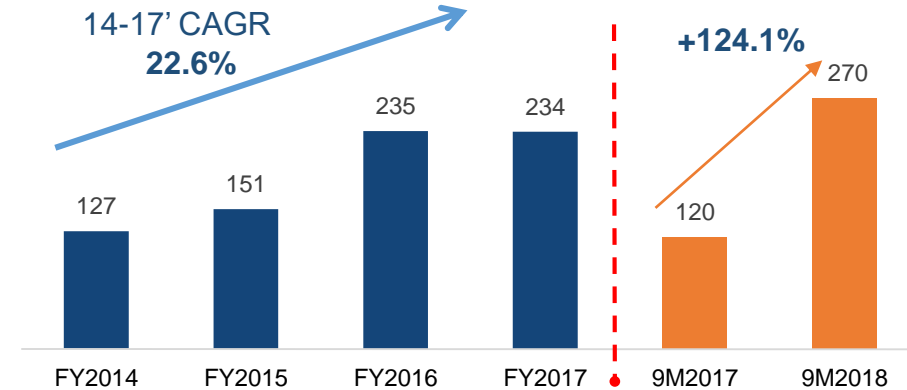
Gross Profit (RMB mil) & Gross Margin



Underlying net profit* (RMB mil)

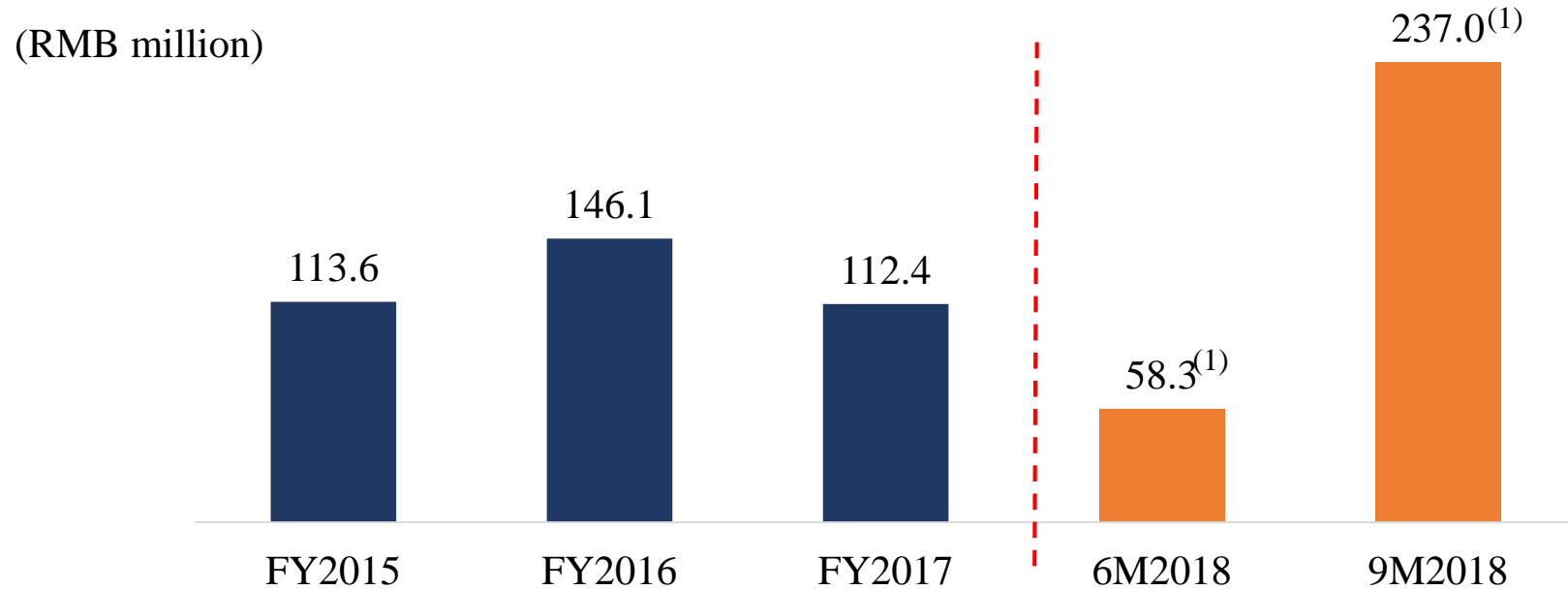


EBITDA (RMB mil)



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

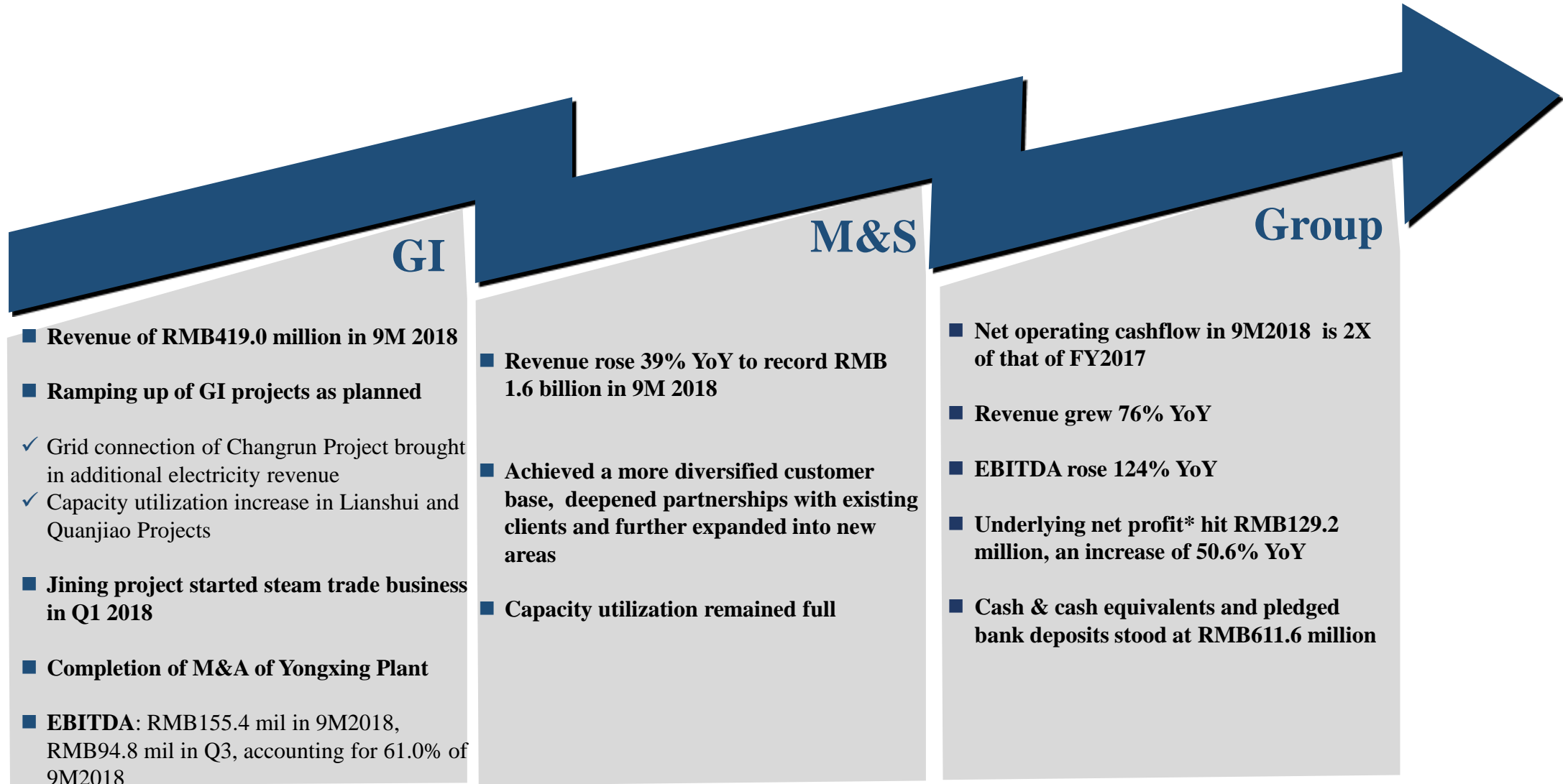
Surge in Operating Cashflow



- **Huge jump:** 9M2018 underlying operating cash flow is 2x that of full year 2017, and 4x that of 6M2018.
- **Cashflow generative:** Proves huge potential of GI to generate long-term, recurring, high-quality cashflows.
- **Unique:** GI projects are usually able to require advance payments from customers due to the exclusive supplier status.

(1) Underlying operating Cash flow, excluding CB interest of RMB17.4 million

9M2018: Stable Foundation for Stronger 4Q2018



*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.

4Q 2018: Strong Growth Outlook on More Fronts

Results should be viewed on a 12-month basis to arrive at a balanced perspective. Management expects the following business trends to benefit operating performance in 4Q2018.

GI Segment

- **Structurally-strong demand outlook**
 - ✓ Continued closure of small “dirty” boilers
 - ✓ Organic growth of customers
 - ✓ Relocation of new companies into industrial parks
- **Continued ramping up of GI Projects**
 - ✓ **Xinyuan Plant:** started to provide heating in winter
 - ✓ **Changrun Project:** full contribution from electricity sales in Q4; connections of new customers
 - ✓ **Quanjiao & Lianshui Projects:** securing new customers driven by the closure of small boilers
- **Yongxing Plant:** Full quarterly contributions
- **Potential M&A catalysts**

M&S Segment

- **Record order book of approximately RMB2.2 billion as at end-September 2018**
- **Deliveries of work-in-progress products are usually higher in Q4**
- **Expansion into new areas and markets**

Appendices



Quarterly Income Statement Summary*



RMB million	Q3 2018	Q3 2017	%Change
Revenue	763.7	407.2	87.5
Gross Profit	162.6	88.0	84.9
Gross Profit Margin	21.3%	21.6%	(0.3) pps
EBITDA	124.3	34.5	260.8
EBITDA Margin	16.3%	8.5%	7.8 pps
Profit attributable to shareholders	62.7	17.7	253.9
Underlying Net Profit ⁽¹⁾	56.8	27.6	105.6
Underlying Net Profit Margin	7.4%	6.8%	0.6 pps
Underlying EPS ⁽²⁾ (RMB cents)	7.7	3.7	105.6

*** WITHOUT financial effects of Convertible Bonds**

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

(2) Based on issued share capital of 737,657,142 ordinary shares

pps: percentage points

*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 Sep 30,2018	As of Sep 30,2017
Cash and cash equivalents & pledged bank deposits	611.6	1,031.8
Trade Receivables	1,161.1	1,194.2
Inventories	486.4	342.2
Total Current Assets	2,820.1	2,911.7
Non Current Assets	3,314.6	1,359.6
Short-term Borrowings	391.1	370.0
Current Liabilities	2,934.6	1,681.7
Long-term Borrowings	836.7	624.0
Convertible bonds liability	716.3	403.9
Equity attributable to equity holders of the Company	1,343.6	1,176.6
Total equity	1,550.9	1,216.1

* WITHOUT financial effects of Convertible Bonds

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Cash Flow Summary

RMB (million)	FY2017	3Q2017	3Q2018	9M2018
Net cash generated from operating activities	85.9	(43.2)	178.7	219.7
Underlying operating cash flow	85.9	(43.2)	178.7	237.0 ⁽¹⁾
Interest expense	33.6	(5.2)	(18.9)	(65.7)
Net cash (used in) investing activities	(692.6)	(106.9)	(372.3)	(701.1)
Net cash from financing activities	1228.1	(10.3)	(114.2)	26.4

(1) Underlying operating cash flow adjusting for CB interest of RMB17.4 million

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