

# SUNPOWER GROUP LTD.

Investor Presentation

14 May 2020

# AGENDA

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**Sunpower Group at a Glance**

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# Sunpower Group at a Glance

- **>20 Years of Proven Track Record:** Established in 1997, listed on SGX since 2005
- **Environmental Protection Solutions Specialist:** Energy-saving solutions, waste heat recovery, clean power
- **Strong R&D Capabilities:** 163 patents, including 61 invention patents
- **Excellent financial performance:** Group revenue and underlying net profit <sup>(1)</sup> in 2019 reached record highs of RMB3.6 billion and RMB352 million, respectively. Underlying operating cashflow<sup>(2)</sup> rose 88% YoY to RMB463 million
- **Business segments:** Green Investments (GI) and Manufacturing and Services (M&S)
- Has grown into a company **driven by long-term, high quality and recurring income and cashflows**

(1) Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

(2) Underlying operating cash flow, after excluding CB interest

## *Green Investments (GI)*

*8 projects in operation + 1 in trial operation.*

***Resilient Q1 2020:** Revenue of RMB259 mil, EBITDA of RMB79 mil and operating cashflow generated by GI projects remains positive at RMB11 mil*

*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***

*On target to make equity investments of **RMB2.5 billion** by 2021*

## *Manufacturing & Services (M&S)*

*Revenue of **RMB414 million**; profitability was substantially further improved in Q1 2020 by the continuous improvement of core competitive strengths*

*Order book jumped to **RMB2.8 billion** as of April 2020*

*~1,500 customers in wide range of industries across 30 countries, of which **70%** are repeat customers*

*Top-tier position in environmental protection industry*

*Focus on high-end market, reputable and diverse customer base*

# Sunpower Group at a Glance

**Manufacturing & Services (M&S): Established Businesses with Stable Profits and Cashflow**

Manufacturing			Services				Diverse Industries
Main Solutions			Main Solutions				
High Efficiency Heat Exchangers and Pressure Vessels		Pipeline Energy Saving Products		Flare & Flare Gas Recovery System		High Salinity Wastewater System (ZLD)	
				De-sulfurization & De-nitrification System		Thermal power engineering	

- Petrochemical
- Chemical
- Fine chemical
- Energy Chemical
- LNG
- Coal Chemical
- Coal
- Renewable energy
- New Material
- Metallurgy
- Smelting
- Power Plant ...

Sunpower focuses on high-end market and has accumulated large base of reputable customers



# Sunpower Group at a Glance

## Green Investment (GI)

*The Company's Value Creator and Growth Driver that generates long-term, high quality and recurring income and cashflows*

### Centralized Steam & Electricity Facilities



Sunpower's GI business supplies industrial steam to a wide range of diverse industries, supported by structural demand.

- Chemical
- Textile
- Printing & Dyeing
- Food
- Paper-making
- Paint Industry
- Pharmacy
- Leather
- Wood Processing
- Plastic recycling
- Fodder
- Chemical Fertilizer
- Rubber
- Building materials
- ...

Additionally, it also provides pollution-free civil heating to a large base of households as well as electricity to the State Grid.

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# Investment Highlights

- **GI, Our Value Creator and Growth Driver**
- **Well-positioned to Build Sizeable GI Portfolio**
- **GI Forms the Bulk of the Group's Value**
- **M&S: Stable and Growing with Strong Order Book ~ RMB 2.8 billion**
- **Professional and Disciplined Management Team**
- **DCP and CDH as strategic institutional investors to support the Group**

# GI - Our Value Creator and Growth Driver

## 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

## Valuable & 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



# GI - Our Value Creator and Growth Driver

## Unique Competitive Edge

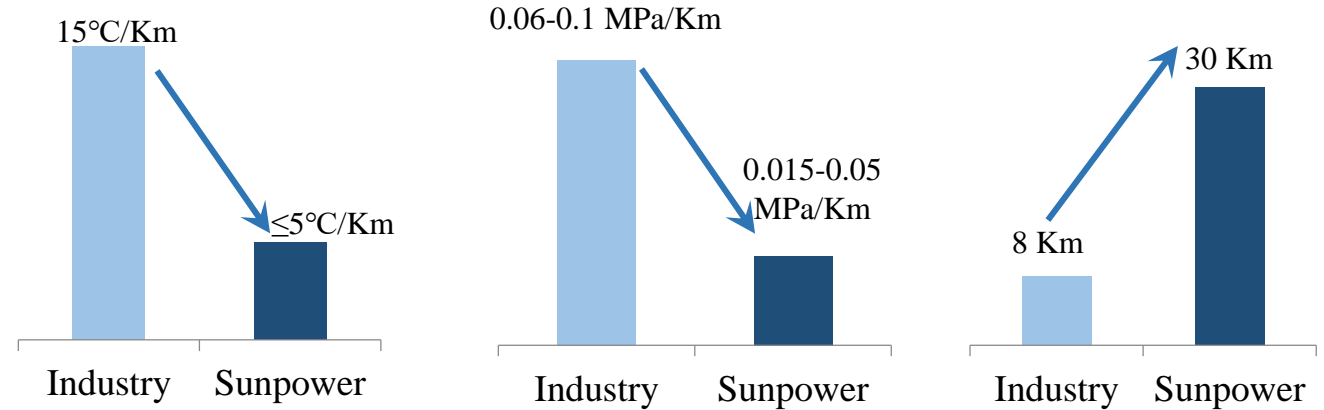


- **Proprietary energy-saving & long-distance distribution technology**
- **Experienced management with full interest alignment: strong discipline in project evaluation & low cost overrun risks**
- **Fully integrated capabilities: in-house design institute, environmental protection manufacturing & services**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

# GI - 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**



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

# Well-positioned to Build Sizeable GI Portfolio

	Projects	Steam/Heat Designed Capacity	Electricity Designed Capacity	Project Equity (RMB mm)
<b>In Operation</b>	Changrun Project (Phase 1)	2×220 tons/hour (t/h)	2×25MW	434.1
	Yongxing Plant	2×100t/h+1×150t/h	2×18MW	306.0
	Xinyuan Plant	3×75t/h+1×220t/h	2×6MW+1×25MW	85.0
	Suyuan Plant	1×90t/h+2×75t/h	1×B7MW	117.2
	Lianshui Project	2×40 t/h	n.a	38.3
	Quanjiao Project	1×40 t/h	n.a	49.2
	Jining Project	n.a	n.a	10.3
<b>In Trial Production</b>	Shantou Project (Phase 1)	3×150t/h	2×20MW	167.3
<b>Under Construction</b>	Shantou Project (Phase 2)	2×260t/h	2×30MW	132.6
	Xintai Zhengda (new plant) <sup>(1)</sup>	3×130t/h	1×35MW+1×18MW	263.1
	Tongshan Project (Phase 1)	1×130t/h	1×35MW	107.1
<b>Amount invested/committed</b>				<b>1,710.2</b>
<b>In Design Phase</b>	3 projects	n.a	n.a	220.4
<b>Pipeline <sup>(2)</sup></b>		n.a	n.a	573.2
<b>Total</b>				<b>2,503.8</b>

Notes: based on current estimates and forecast.

(1) Existing plant still in operation and will remain operational until the commissioning of the new plant

(2) Including a couple of projects in the late stage of evaluation which form part of the total pipeline of projects under evaluation valued at >RMB3.2 billion

# GI Forms the Bulk of the Group Value <sup>(1)</sup>



Green  
Investments  
(GI)



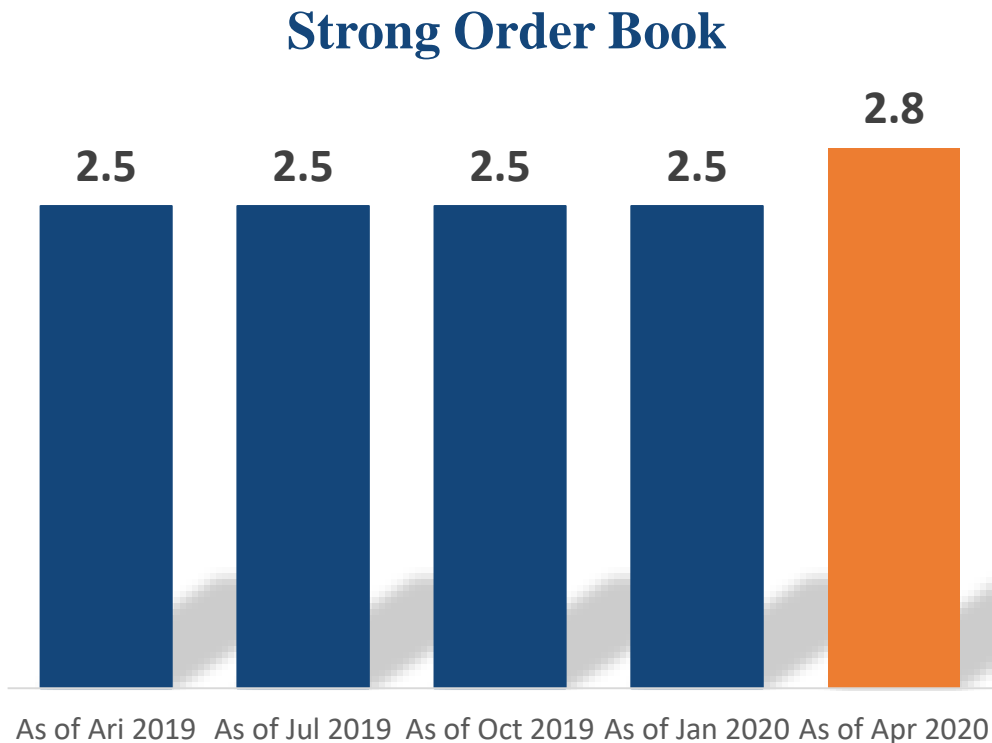
Environment  
Protection  
Manufacturing &  
Services (M&S)

- Sunpower has seen strong ramp-up of GI operations and is well prepared for the next phase.
- Successfully enhanced into a company driven by long-term, recurring, high-quality income and cashflows.
- Target to make investment of RMB2.5 billion in GI project equity by 2021.
- Look to secure more earnings accretive M&As. Strong attractive pipeline of projects under evaluation.
- Aim to deliver long-term NPV of future cashflows, substantially higher than current contributions.

(1) Based on invested capital

# Stable and Growing Manufacturing & Services

*Order book <sup>(1)</sup> remains strong and has surged to RMB2.8 billion as of April 2020*

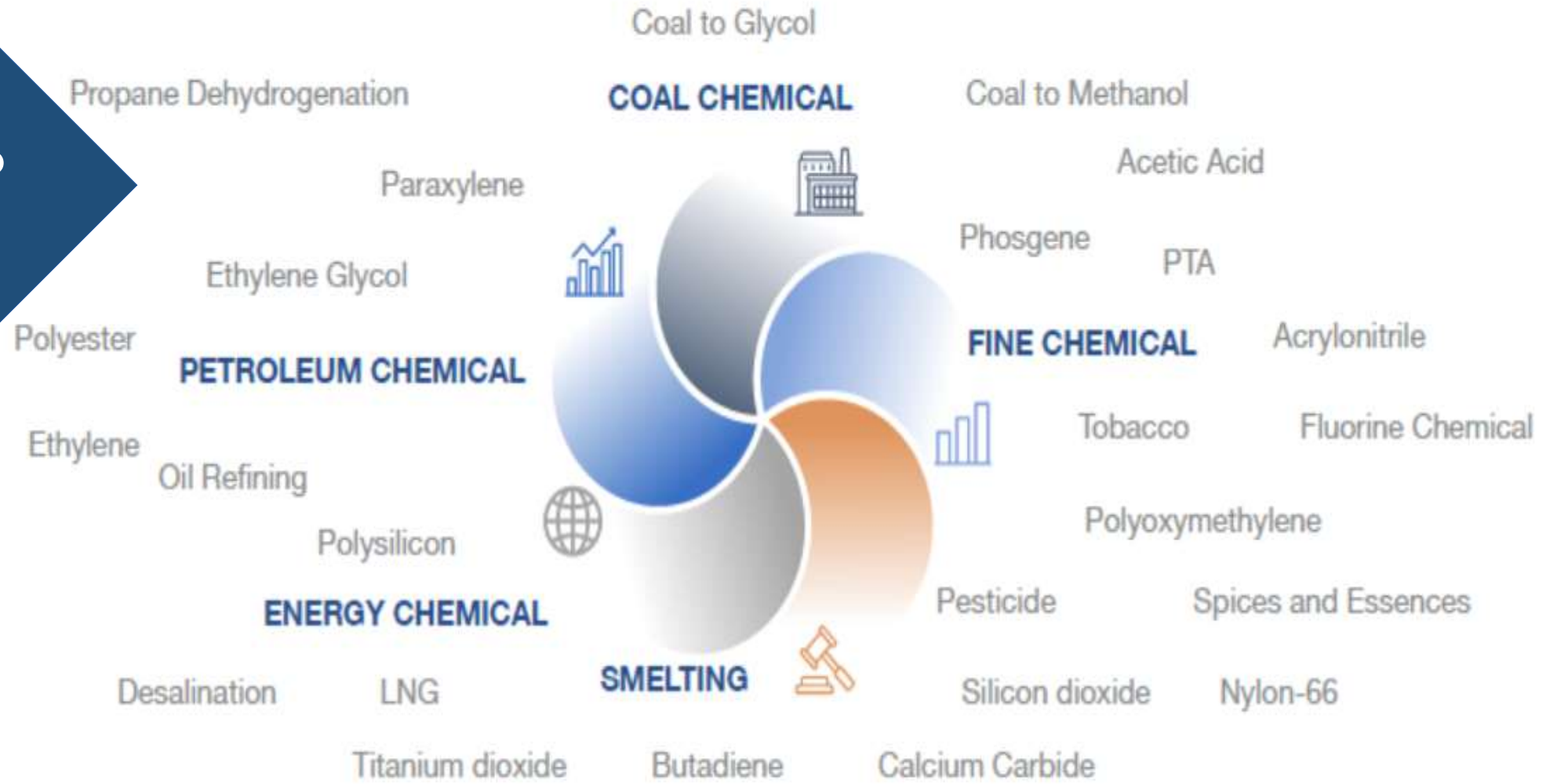


(1) Excluding contracts delivered in 1Q 2020

- **> 20 years of proven track record**
  - ✓ Stable and growing revenue
  - ✓ Positive operating cash flows
- **Resilient & sustainable business**
  - ✓ Large and diversified base of customers
  - ✓ Strong capabilities to serve diverse industries
  - ✓ ~70% repeat customers
  - ✓ Market reputation and brand awareness
- **Advanced proprietary technologies, strong commercialization capabilities**
- **Enhanced competitive advantages** such as industry leadership, extensive experience and seasoned management team
- **Proven capabilities to acquire high-quality orders**

# Stable and Growing Manufacturing & Services

**Strong capabilities to serve diverse industries**



# Professional and Disciplined Management Team

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



**Dr. Guo Hong Xin**  
Executive Chairman & Founder



**Mr. Ma Ming**  
Co-founder, Executive Director



**Ms. Ge Cuiping**  
CFO



**Mr. Chen Kai**  
CIO



**Mr. Gu Qunjun**  
Senior VP  
GI-GM



**Mr. Zhu Bing Cheng**  
M&S – Pressure Vessel  
business GM <sup>(1)</sup>



**Mr. Xiang Bing**  
M&S – Pipeline business GM <sup>(1)</sup>



**Mr. Yuan Zi Wei**  
Senior VP  
M&S – EPC GM <sup>(1)</sup>

## ■ 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 >40% shares of Sunpower <sup>(2)</sup>

(1) Manufacturing and Services (M&S) businesses includes high efficiency heat exchangers and pressure vessels business, pipeline energy saving business, and Engineering, Procurement and Construction Integrated Solutions.

(2) Before CB conversion, including ESOP

# DCP and CDH are strategic institutional investors

- Among the largest and most experienced Chinese private equity (PE) investors.
- Invested/committed US\$180 million in Sunpower through 2 rounds of CBs. Provide institutional support for Sunpower's **long-term growth**.
- Strong track record in investment and nurturing of 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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# Rapid Expansion of GI Business Exceeded Expectations

- GI's leap forward has taken only **< 3 years** after the issue of CB1 from **0** to **8** projects in operation and **1** project in trial production
- 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

**0**  
Projects  
in Operation

**1<sup>st</sup>**  
mover in the  
industry

**March 2017**

**8** Projects in Operation + **1** Project in Trial Production

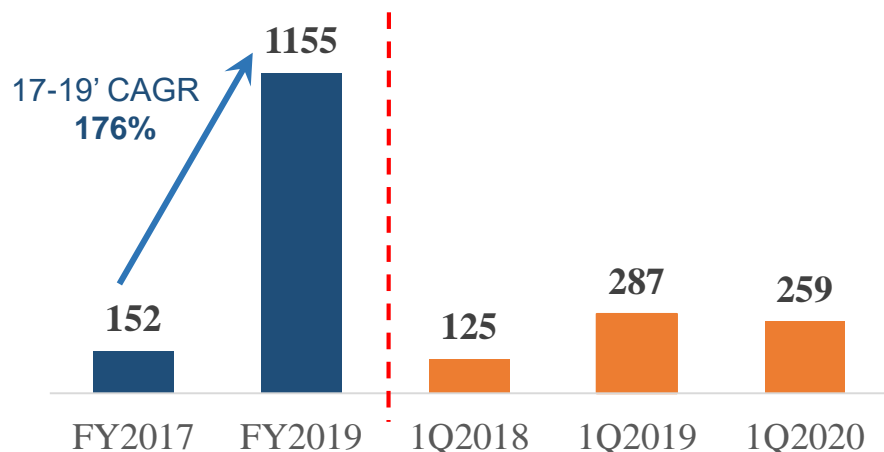


**Sizeable** GI  
portfolio that  
delivers long-  
term, recurring  
and high-quality  
income and  
cashflows

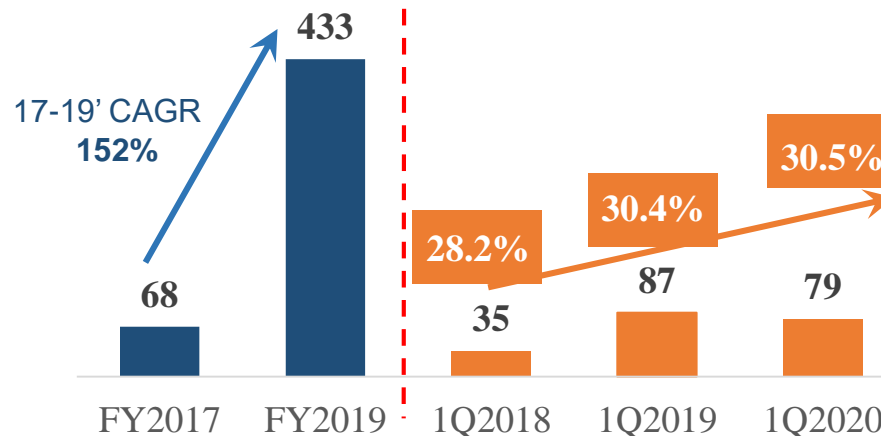
**By 2021**

# GI Performance Remains Resilient

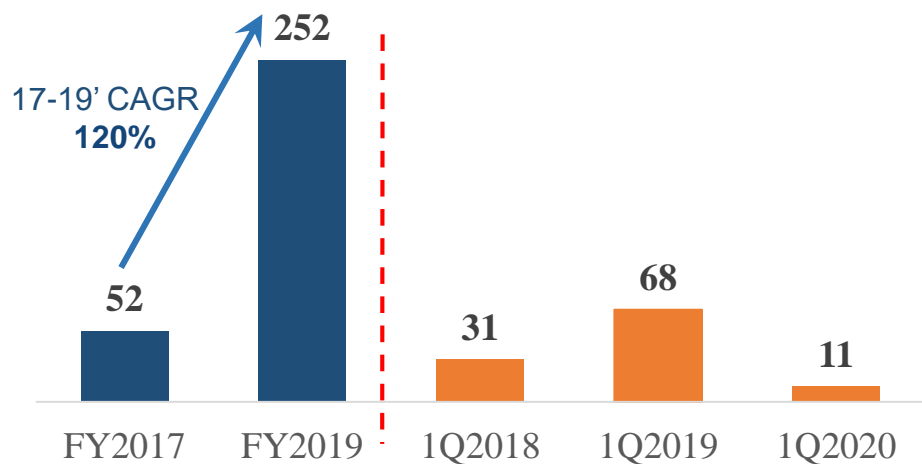
Revenue (RMB mil)



EBITDA (RMB mil) & EBITDA Margin



GI Projects Operating Cash Flow (RMB mil)



- GI remained **resilient** in 1Q2020 despite the temporary operational constraints caused by the pandemic, demonstrating the strength and sustainability of Sunpower’s **reliable and adaptable GI business model**.
- **All GI projects in operation have resumed production** when the pandemic was under control in China from the end of February and March.
- The recurring organic cashflow will also be a funding source for further GI expansion in the future
- GI projects are **still ramping up**, the long-term **Net Present Value** (“NPV”) of future cashflows generated by the Group’s GI is expected to be substantially **higher** than the latest reported period.

\*Based on the Company’s long-term discounted cashflow forecasts

# Strong Pipeline and Significant Targeted Investment in GI

*Sunpower is on target to make equity investments of ~ RMB2.5 billion in GI assets by 2021*

## Update on GI Investments to-date

Status	Total Investments (RMB mm) <sup>(4)</sup>	Project Equity (RMB mm)
In Operation	2,476.0	1,040.1
In Trial Production <sup>(1)</sup>	820.0	167.3
Under Construction <sup>(2)</sup>	1,900.0	502.8
<b>Amount Invested and Committed</b>	<b>5,196.0</b>	<b>1,710.2</b>
Others in Design Phase <sup>(3)</sup>	653.0	220.4
Pipeline	1,433.1	573.2
<b>Total</b>	<b>7,282.1</b>	<b>2,503.8</b>

**Notes: based on current estimates or forecast**

(1) Shantou Phase 1 launched trial production at end-2019.

(2) Including Tongshan Project Phase 1, which assumes capital structure ~30% equity / 70% debt.

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

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

## Rapid scale-up:

- ✓ Acquired 4 “brownfield” projects and built up 5 “greenfield” projects. 8 projects in operation and 1 in trial production

## On track to build a sizeable GI portfolio:

- ✓ RMB502.8 million has been committed/invested in the equity of projects under construction.
- ✓ Shantou Phase 2 and Tongshan Phase 1 are under construction,
- ✓ Major part of Xintai Zhengda Project’s new facility nears completion and is expected to start trial production in 1H 2020.

**To date, RMB 1.7 billion in equity has been invested /committed, more than 2/3 of the 2021 investment target**

## 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 >**RMB3.2 billion**.

# Strategy to Grow Earnings With Quality Remains On Track



- Sunpower has **met its target of ~50% of income from the recurring GI business for two consecutive years. On track to build a sizeable and valuable GI portfolio**
- Sunpower's **reliable GI business model and strong execution capabilities have been proven** through the resilient performance displayed in Q1 2020 amidst the operational constraints of the pandemic.
- GI has **significantly enhanced the Group's quality of earnings and cashflow.** The recurring organic cashflow will also be a funding source for further GI expansion in the future..
- GI projects are **still ramping up**, with the long-term Net Present Value ("NPV") of future cashflows generated by GI expected to be substantially higher than the contributions in the latest reported period<sup>1</sup>.
- With the solid track record established in the GI business, **Sunpower has grown into a long-term, recurring, high-quality income and cashflow company.**

\*Based on the Company's long-term discounted cashflow forecasts

# Shantou Project



*Shantou Project-Phase 1*

## *Equity Investments*

Phase 1	RMB 167 million
Phase 2	RMB 133 million

*Phase 1 is in trial production*

*Phase 2 is under construction*

## *Capacity*

	Phase 1	Phase 1 + Phase 2
Designed steam capacity (t/h)	3x150 (=450)	3x150 + 2x260 (=970)
Annualized steam supply capacity (GJ)	5.7 million <sup>(1)</sup>	19.0 million <sup>(2)</sup>

**Notes:** (1) With 2 boilers operational and 1 boiler as backup capacity to ensure constant steam supply to customers; (2) With 4 boilers operational and 1 boiler as backup capacity to ensure constant steam supply to customers

**Location:** Shantou Textile Circular Economy Industrial Park managed by Chaonan Textile, Printing and Dyeing Comprehensive Environmental Treatment Center

## *Project Highlights*

- **Strong fundamentals:** Exclusive steam supplier with 38.5 years concession.
- **Ready-made, resilient customer base:** ~128 qualified printing & dyeing companies relocating into the park in phases.
- **Large potential:** Textile and garment dyeing industry is a pillar industry in Shantou which contributed ~30% of the local GDP in 2017. Shantou is a major national producer of garments and has an established industry cluster.
- **Anticipated strong contributions:** Once operational, expect **long-term, recurring and high-quality income and cashflows**, with **attractive double-digit IRR**.
- **Urgent need to deal with river pollution:** Shantou Project is one of the key water pollution control and alleviation measures put in place to clean up heavily-polluted Lianjiang River.

# Tongshan Project

## Tongshan District



*Estimated investment of* ~RMB420 million for Phase 1, secured by investment of RMB107 million in project equity.

Construction is expected to be completed in 2021

### Capacity

	Phase 1	Total
Designed steam capacity (t/h)	1 × 130	2 × 130 (=260)
Designed electricity capacity (MW)	1 × 35	2 × 35 (=70)

*Location:* Xuzhou, Jiangsu province, ranked 28<sup>th</sup> among China's "Top 100 Districts" for investment potential in 2018

### Project Highlights

- **A biomass cogeneration project** to supply clean heating to local residents as well as electricity to the State Grid, which differentiates it from a pure biomass power plant.
- Used as a **natural gas replacement**, biomass as a fuel source to supply heating will help the local government to **address people's livelihood issues** and **alleviate the cost of steam/heating subsidies**. It will also reduce pollution and realise energy conservation through the combustion of local agricultural waste. As such, this investment is **fully aligned with China's national development policies** and is expected to gain more support from the local government.
- **Grant of 30-year concession right by the local government**, effectively delivering the Group a captive market for heat within a radius of 20 kilometers of the project.
- **Ready base of resilient customers in the concession area** can be expected to ensure immediate customer subscriptions, providing immediate revenue flows for the Project once commissioned.
- **Abundant local biomass resources** can meet the biomass demand of the project.

# Significant Acquisition of Suyuan Plant

**Total investment of ~RMB293 million, secured by ~RMB117 million in project equity.**

**Location:** Changshu, Suzhou, Jiangsu province. The textile industry has been a mainstay of Changshu's economy for the last 40 years with annual turnover of >RMB100 billion.

**Capacity:** 1x90 (t/h) + 2x75t/h (steam) + 1xB7MW (electricity).

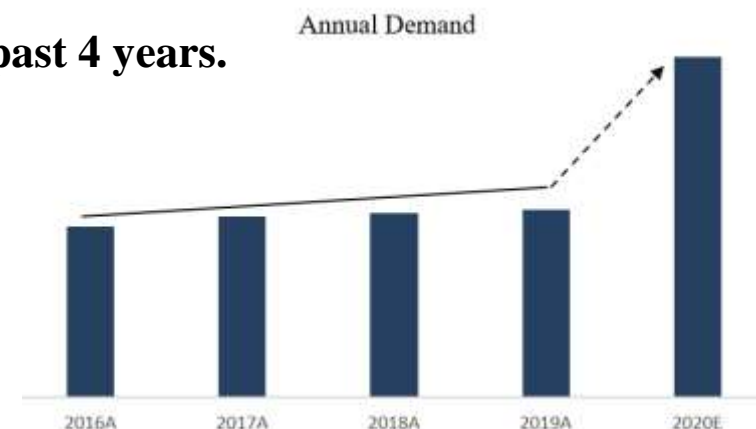
**Customer mix:** ~49 captive customers in printing & dyeing industries.

## Investment

## Highlights

- 1 Upgrades are partially completed. Operational performance and efficiency are expected to further improve with completion of plant upgrades.
- 2 Promising addition to the GI portfolio, with a positive and growing impact on medium to long term profitability. Projected to have attractive IRR.
- 3 Exclusive centralized steam supplier within its coverage area.
- 4 Steam and electricity businesses have grown steadily in past 4 years.
- 5 Demand for its steam is expected to grow significantly in 2020 due to the mandatory closure of small "dirty" boilers and relocation of companies into the coverage area.

6 Established industry cluster in Changshu provides Suyuan Plant with a resilient and attractive customer base.





# Significant Acquisition of Yongxing



## *Transaction done at attractive valuation multiple*

Total investment of RMB765 million, secured by RMB306 million in project equity.

## *About Yongxing Plant*

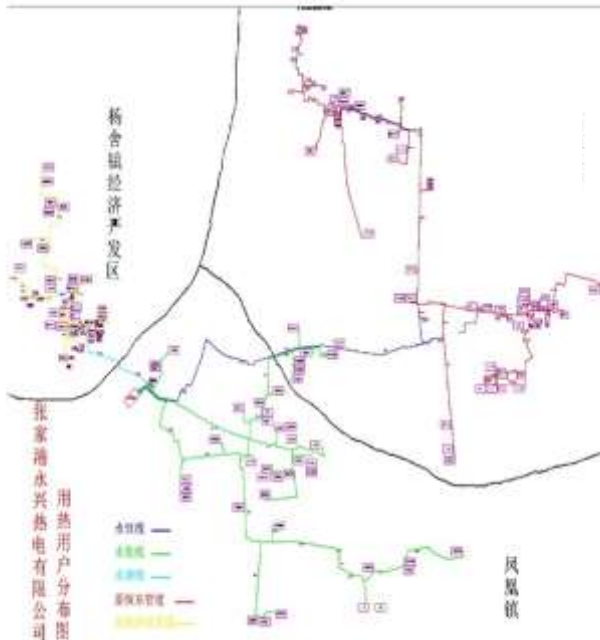
**Sizeable capacity:** 350t/h (steam)+36MW (electricity), ~160 km total length of pipeline.

**Customer mix:** captive customers concentrated in diverse, cashflow-rich industries, such as textile, printing & dyeing, food, chemical, metallurgy, paper making and others.

**Product mix:** steam & electricity

## *Plant Highlights*

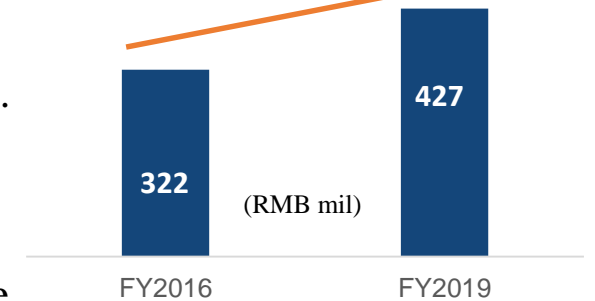
- **Strong fundamentals:** Strong performance in 2019
- **Latest status:** Post-acquisition upgrades completed. Strong improvements seen in operational efficiency and financial results.
- **Sustainable business model:**
  - ✓ **Exclusive centralized steam supplier.**
  - ✓ **Cost effective:** River water used to generate steam. Zero waste.
- **Ultra-low emissions:** lower than natural gas.
- **Long-term growth potential** supported by organic growth of large customer base.
- **High IRR:** double-digit investment returns.



Geographic Distribution of Yongxing's Customers

## **Yearly Revenue of Yongxing Plant**

**CAGR +10%**



# Changrun Project



## *Investment:*

Total investment of RMB934 million, secured by RMB434 million in project equity.

## *About Changrun Project – Phase 1:*

**Location:** Gaoyang, Hebei (supplies 1/3 of household textiles in the whole of China).

**Capacity:** 2x220t/h (steam) + 2x25MW (electricity).

**Pipeline network:** ~50 km in length.

**Customer mix:** >70 captive customers.

## *Project Highlights*

### ■ **Solid business fundamentals:**

- ✓ Added sales of **electricity** to complement steam from 2018.
- ✓ **Implementation of Sludge treatment** which is expected to lower feedstock cost and bring in additional sludge treatment income.

### ■ **Sustainable business model:**

- ✓ **Exclusive** centralized steam supplier: 30-year concession + first right to renew.
- ✓ **“Zero waste” circular economy model:** Treated waste water is used to generate steam, while plant waste outputs are sold to external factories.

### ✓ **Ultra-low emissions.**

### ■ **High IRR:** double-digit investment returns.

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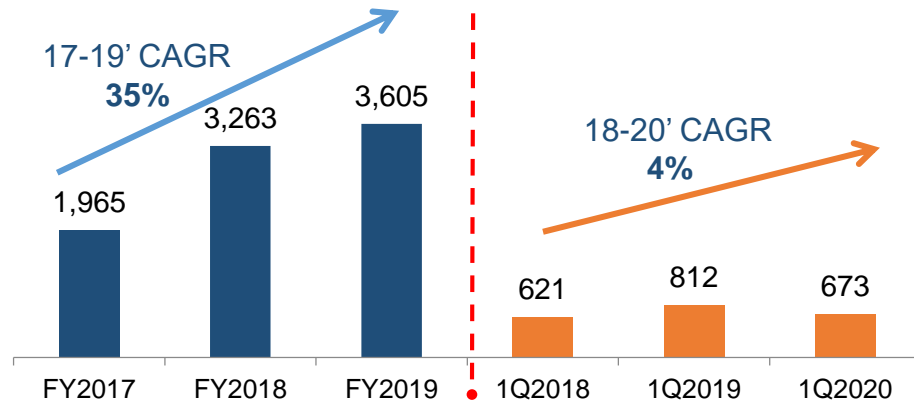
**Q&A Session**

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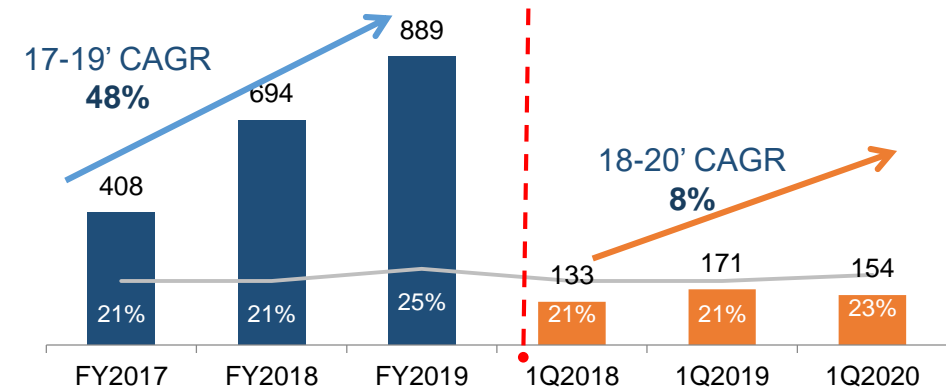
# Well-Positioned To Keep Up The Pace

- *Sunpower maintained a resilient performance in Q1 2020 despite the temporary operational constraints of the pandemic.*
- *Still benefiting from the continuous improvement of core competitive strengths, M&S profitability was further improved in Q1 while order book jumped to highest-ever level of RMB2.8 billion*
- *Valuable company with internally-strong, resilient and adaptable business model*

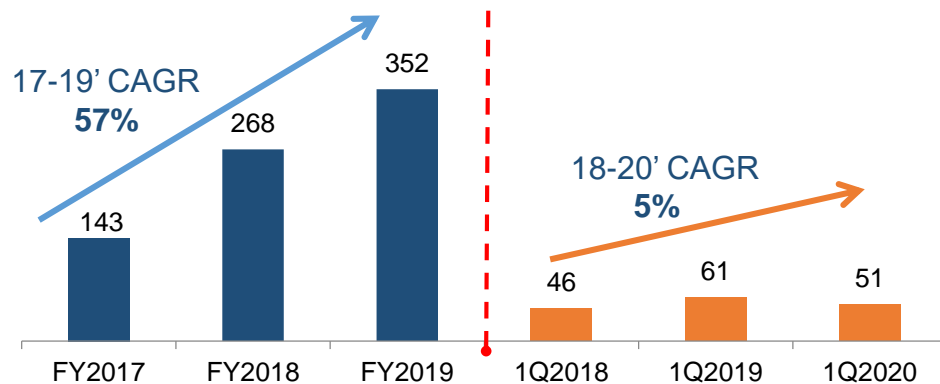
**Revenue (RMB mil)**



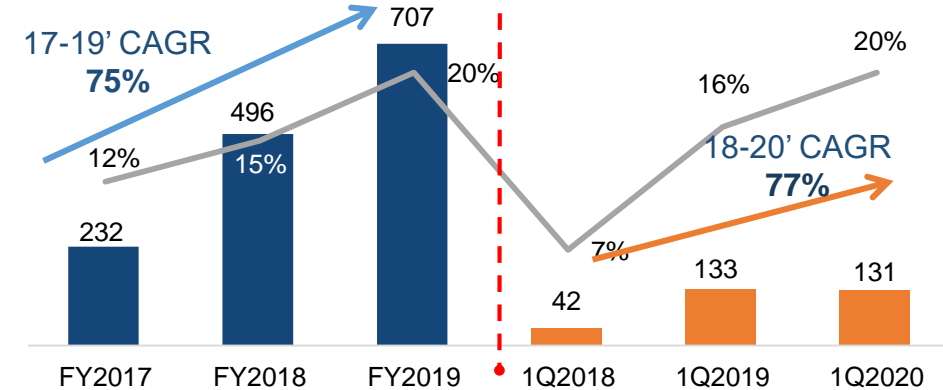
**Gross Profit (RMB mil) & Gross Margin**



**Underlying net profit\* (RMB mil)**



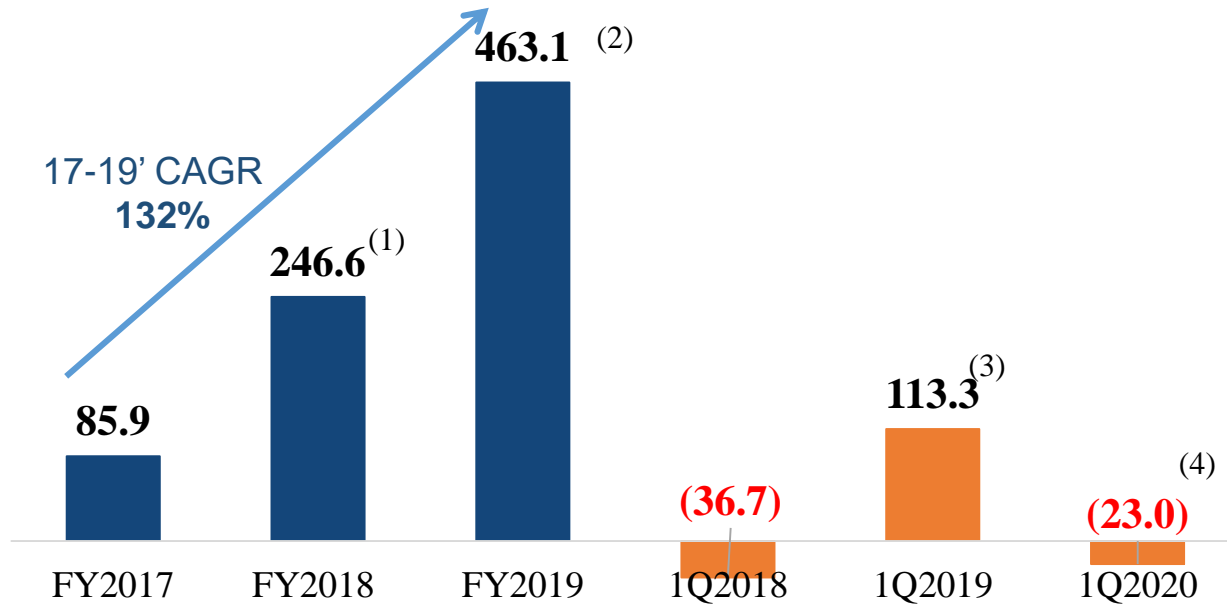
**EBITDA (RMB mil) & EBITDA margin**



\* Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

# Resilient Business Model Shores up Group Operating Cashflow

(RMB million)



- (1) Underlying operating cash flow for FY2018, excluding CB interest of RMB17.4 million
- (2) Underlying operating cash flow for FY2019, excluding CB interest of RMB19.7 million
- (3) Underlying operating cash flow for 1Q2019, excluding CB interest of RMB19.7 million
- (4) Underlying operating cash flow for 1Q2020, excluding CB interest of RMB22.7 million

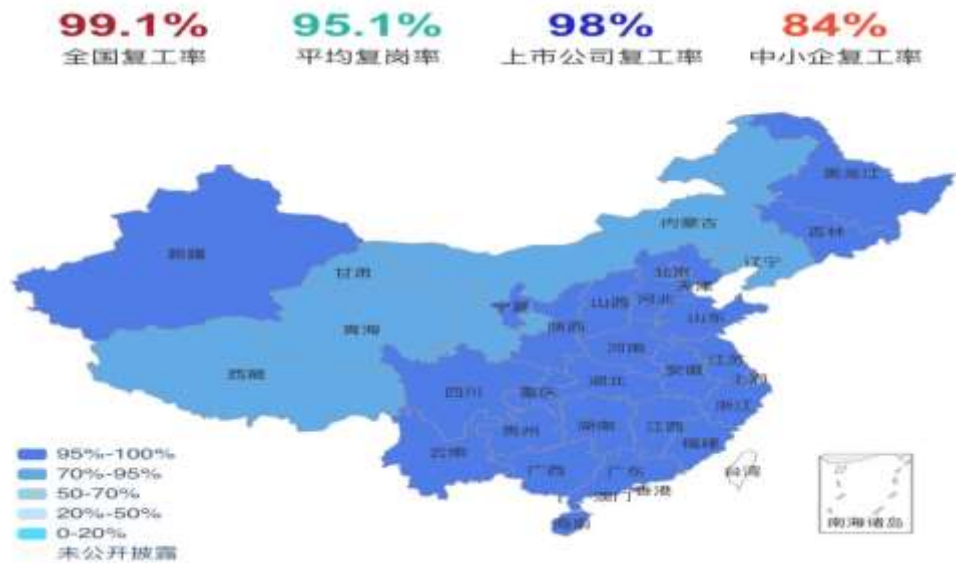
**Internally-strong:** Proven ability of M&S and GI businesses to generate cashflows amidst temporary operational constraints caused by pandemic.

The resilience of the Company's business is expected to continue to shore up the operating cashflow in 2020.

**Cash in advance:** GI projects are able to require advance payments from customers due to exclusivity of supply within coverage areas.

**Sustainable:** Operating cashflow by GI projects is expected to grow further in future years with further capacity expansion and continued ramp-up. This supports future capex needs for newbuild investments and M&As.

# Pandemic has come under control in China



## Pandemic situation under control

- National Health Commission (NHC): all county-level areas across China classified as low-risk regions from 7 May
- Wuhan classified as pandemic low-risk area in April <sup>(1)</sup>

## Industries have resumed production in China

- >99% of major industrial firms nationwide have restarted work as at 28 April <sup>(2)</sup>. This compares to 98.6% as of 28 March <sup>(3)</sup>
- >98% of major industrial enterprises have resumed production in Hubei as at 24 April <sup>(4)</sup>

## China's economy resilient despite short-term impact of pandemic <sup>(5)</sup>

- China's PMI for manufacturing sector was 50.8% in April, up 15.1 pps from February low, above 50.1% a year ago <sup>(6)</sup>
- IMF predicts China's GDP growth for 2020 will be 1.2%, while 2021 will be 9.2% <sup>(7)</sup>

(1) <http://enapp.chinadaily.com.cn/a/202004/19/AP5e9b298ba3100bb08af0867b.html>  
(2) [https://app.21jingji.com/html/2020yiqing\\_fgfc/?from=singlemessage&isappinstalled=0](https://app.21jingji.com/html/2020yiqing_fgfc/?from=singlemessage&isappinstalled=0)  
(3) [http://english.www.gov.cn/statecouncil/ministries/202003/30/content\\_WS5e818989c6d0c201c2cbfc4f.html](http://english.www.gov.cn/statecouncil/ministries/202003/30/content_WS5e818989c6d0c201c2cbfc4f.html)  
(4) <http://www.chinadaily.com.cn/a/202004/24/WS5ea24e22a3105d50a3d1890a.html>  
(5) <http://www.chinadaily.com.cn/a/202004/08/WS5e8d2e87a310aaeeed50ae7.html>  
(6) [http://www.stats.gov.cn/tjsj/zxfb/202004/t20200430\\_1742574.html](http://www.stats.gov.cn/tjsj/zxfb/202004/t20200430_1742574.html)  
(7) <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

# Sunpower has Regained Stable Operation



- Sunpower's M&S segment restarted operations on 10 February 2020.
- All GI projects in operation have resumed production since the pandemic came under control in China from the end of February and early March 2020.
- The Group has regained stable operation and is on the right track to catch up in the rest of 2020 with the pandemic under control in China.

# Anti-Pollution Still Remains Top on the Government's Agenda

- According to the Interim Assessment Report of 13th Five-Year Plan For Ecological Environmental Protection issued by Ministry of Ecology and Environment (MEE) in April 2020, the Action Plan for Winning the Blue Sky War (《打赢蓝天保卫战三年行动计划》) and Water Pollution Control Plan (《水污染防治行动计划》) will be further carried out <sup>(1)</sup>
- 2020 Action plan for Pollution Prevention and Treatment in Beijing (《北京市污染防治攻坚战2020年行动计划》) was published, targeting to reducing air, water and soil pollution <sup>(2)</sup>
- Hebei announced plans to win the Blue Sky War while implementing arrangements for pandemic control <sup>(3)</sup>
- Shanxi province initiated plan to strengthen pollution control in summer as a part of winning the Blue Sky War (《决胜蓝天保卫战夏季攻坚行动》) <sup>(4)</sup>

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(1) <http://www.mee.gov.cn/ywgz/zcghtjdd/sthjghjh/202004/P020200407393498739003.pdf>

(2) [http://www.beijing.gov.cn/zhengce/zhengcefagui/202002/t20200213\\_1629687.html](http://www.beijing.gov.cn/zhengce/zhengcefagui/202002/t20200213_1629687.html)

(3) <http://huanbao.bjx.com.cn/news/20200424/1066192.shtml>

(4) <http://leaders.people.com.cn/n1/2020/0511/c58278-31703800.html>



# FY2020 Outlook

The Group has regained stable operation and is on the right track to catch up in the rest of 2020 with the pandemic under control in China.

Barring unforeseen circumstances, the Group expects the following business trends to benefit its 2020 results. Note that Sunpower's financial results should be viewed on a 12-month basis to arrive at a balanced perspective.

## GI business:

- **New revenue drivers, including:**
  - a) Full-year contributions from newly-acquired plants that are well-positioned to capture new demand following mandatory closures of small dirty boilers
  - b) Anticipated additional contributions from Shantou Phase 1 and new plant of Xintai Zhengda as Shantou Phase 1 is already in trial production and a major part of Xintai Zhengda's new plant is expected to launch trial production in 2020.
- **Continued ramp-up of existing GI projects driven by:**
  - a) Continuous connection of new customers following mandatory closures of small dirty boilers and/or mandatory relocation into industrial parks, and
  - b) Organic growth of existing customers and industrial parks served by the Group's GI plants.
- **Potential earnings-accretive M&A of brownfield GI plants**

## M&S business:

- Continuous improvement of profitability due to the enhancement of core competitive strengths
- Proven track record, order book surged to RMB2.8 billion
- Cutting-edge proprietary technologies and strong commercialization capabilities
- Diversified base of high-end customers, of which 70% are repeat customers
- Ability to acquire to quality orders, benefiting from industry leadership, extensive experience and seasoned management team
- Market reputation and brand awareness

# Appendices



# Financial Effects of Convertible Bonds (CBs) and Warrants

CBs were issued on 3 March 2017 and 15 October 2018 with the debt host liability component and the derivative liability component carried at amortised cost and fair value respectively. The changes in the fair value of the derivative liabilities of the CB and Warrants are recognized in profit or loss. In accordance with SFRS(I), the financial effects on profit or loss associated with the issuance of compound financial instruments are as follows: (i) fair value change arising from fair valuation relating to the conversion option and Warrants and (ii) amortised interest charge relating to the amortised cost liability component of the CB and commitment fee of Warrants. 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 CB as stipulated in the CB Agreement.

The fair value change of the CB and Warrants and the related financial effects to the statement of profit or loss and other statements have no operational effects to the financial performance of the Group. Financial effects of CB and Warrants consist of unrealised foreign exchange translation, amortised interest expenses (inclusive of interest charges) and fair value gain/ (loss) of CB and Warrants.

Warrants are classified as derivative liabilities. At the date of issue, the fair value of derivative liabilities are estimated using the Binomial model. The amount is recorded as a liability at fair value, and is subsequently remeasured at the end of each financial period with changes in fair value recognised in profit or loss.

In order to reflect the true operating performance of the Group, Sunpower uses **Underlying Net Profit**, which is after adjusting net profit attributable to shareholders (including the effects of CBs and Warrants) for amortised interest expenses and fair value gains or losses as well as foreign exchange gains or losses associated with the CBs and Warrants.

# Income Statement Summary\*

RMB million	1Q2020	1Q2019	%Change
<b>Revenue</b>	672.7	811.6	(17.1)
<b>Gross Profit</b>	154.4	171.5	(9.9)
<b>Gross Profit Margin</b>	23.0%	21.1%	1.8pps
<b>EBITDA</b>	131.3	133.4	(1.6)
<b>EBITDA Margin (%)</b>	19.5%	16.4%	3.1pps
<b>Underlying Net Profit <sup>(1)</sup></b>	51.1	60.5	(15.6)
<b>Underlying Net Profit Margin</b>	7.6%	7.5%	0.1pps
<b>Underlying EPS (RMB cents)</b>	6.5 <sup>(2)</sup>	8.1 <sup>(3)</sup>	(20.2)

\* WITHOUT financial effects of Convertible Bonds and Warrants

(1) Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

(2) Based on the weighted average number of ordinary issued share capital of 787,940,248 ordinary shares.

(3) Based on the weighted average number of ordinary issued share capital of 744,937,504 ordinary shares.

# Balance Sheet Summary\*

RMB million	As of March 31, 2020	As of March 31, 2019
Cash and cash equivalents & pledged bank deposits	597.2	695.5
Trade Receivables	1,269.8	1,254.0
Inventories	506.2	532.9
<b>Total Current Assets</b>	<b>2,982.3</b>	<b>2,916.9</b>
<b>Non Current Assets</b>	<b>4,492.0</b>	<b>3,738.2</b>
Short-term Borrowings	844.6	657.9
<b>Current Liabilities</b>	<b>2,641.6</b>	<b>2,768.4</b>
Long-term Borrowings	1,638.3	1,108.6
Convertible bonds liability	794.3	820.6
<b>Equity attributable to equity holders of the Company</b>	<b>1,895.6</b>	<b>1,553.6</b>
<b>Total equity</b>	<b>2,175.1</b>	<b>1,797.1</b>

\* WITHOUT financial effects of Convertible Bonds and Warrants

# Cash Flow Summary\*

RMB (million)	1Q2020	1Q2019
<b>Net cash generated from/(used in) operating activities</b>	(45.8)	93.6
<b>Underlying operating cash flow</b>	(23.0) <sup>(1)</sup>	113.3 <sup>(2)</sup>
Interest expense	23.7	18.5
<b>Net cash (used in) investing activities</b>	(325.9)	(605.7)
<b>Net cash from (used in) financing activities</b>	172.4	402.1

(1) Underlying operating cash flow adjusting for CB interest of RMB22.7 million.

(2) Underlying operating cash flow adjusting for CB interest of RMB19.7 million.

\* **WITHOUT financial effects of Convertible Bonds and Warrants**

# Related Environmental Protection Policies in GI segments

**Air Pollution Prevention Action Plan** (大气污染防治行动计划), 国务院, 国发[2013]37号

**Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme**

燃煤锅炉节能环保方案的实施, 国家发改委、环保部及其他部门, 发改环资[2014]2451号

**Clean and Efficient Use of Coal Action Plan (2015-2020)**

(煤炭清洁高效利用行动计划(2015-2020年)), 国家能源局, 国能煤炭[2015]141号

**Environmental Protection Tax Law** (环境保护税法), 全国人民代表大会常务委员会

**Full Implementation of Work Plan for Ultra-low Emission and Energy Conservation of Coal-fired Power Plants**

(全面实施燃煤电厂超低排放和节能改造工作方案), 环保部、发改委和能源局, 环发[2015]164号

**Heat-power Cogeneration Measures** 热电联产管理办法, 发改能源 [2016]617号

**20 amendments to National standards for pollutant discharge**

关于征求20项国家污染物排放标准修改单(征求意见稿)意见的函, 环办大气函[2017]924号

**China's 13th Five-Year Plan for National Eco-environmental Conservation**

国家环境保护标准“十三五”发展规划, 环科技 [2017] 49号

**Three-year Action Plan for Winning the Blue Sky War**

打赢蓝天保卫战三年行动计划(2018-2020年)(国发[2018]22号)

**Increased initiatives to combat pollution have enhanced growth prospects in the environmental protection industry**

# Agenda

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



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