



# **SUNPOWER GROUP LTD.**

**Investor Presentation**  
**12 August 2020**



**01**  
**SUNPOWER**  
**at a Glance**

**02**  
**Investment**  
**Highlights**

**03**  
**GI**  
**Performance**

**04**  
**Financial**  
**Highlights**

**05 Q&A Session**

## **AGENDA**

---

# 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**

## Green Investments (GI)

- 8 projects in operation + 1 in trial operation. Part of Xintai Zhengda (new plant) has started trial production
- **Strong 1H2020 despite pandemic:** revenue of RMB511.4m, EBITDA rose 6.8% YoY to RMB187.3m. GI EBITDA margin improved 3.6 pps YoY to 36.6%.
- **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)







- **Scaled new highs in 1H2020:** revenue rose 32.6% YoY to RMB1,245.5m. Segment results<sup>(3)</sup> rose 77.2% YoY to RMB171.8m
- Profitability was sustained by the continuous improvement of core competitive strengths
- Order book jumped to **RMB2.8 billion** as of July 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

(1) Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to equity holders (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) Segment results reflect the operating income of each business segment of the Group, before interest, tax and unallocated corporate expenses as well as fair value adjustments and FX gains or losses for the CBs and warrants.

# 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)	<ul style="list-style-type: none"> <li>• Petrochemical</li> <li>• Chemical</li> <li>• Fine chemical</li> <li>• LNG</li> <li>• Coal Chemical</li> <li>• Coal</li> <li>• Renewable energy</li> <li>• New Material</li> <li>• Metallurgy</li> <li>• Smelting</li> <li>• Power Plant</li> <li>• Others</li> </ul>
				Petrochemical Engineering		Thermal power engineering	

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



# Sunpower Group at a Glance

**Green Investment (GI): Our 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
- 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.



**01**  
**SUNPOWER**  
at a Glance

**02**  
**Investment**  
**Highlights**

**03**  
**GI**  
Performance

**04**  
**Financial**  
**Highlights**

**05 Q&A Session**

## **AGENDA**

---

# 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 customers and industrial parks



# GI - Our Value Creator and Growth Driver

## Unique Competitive Edge

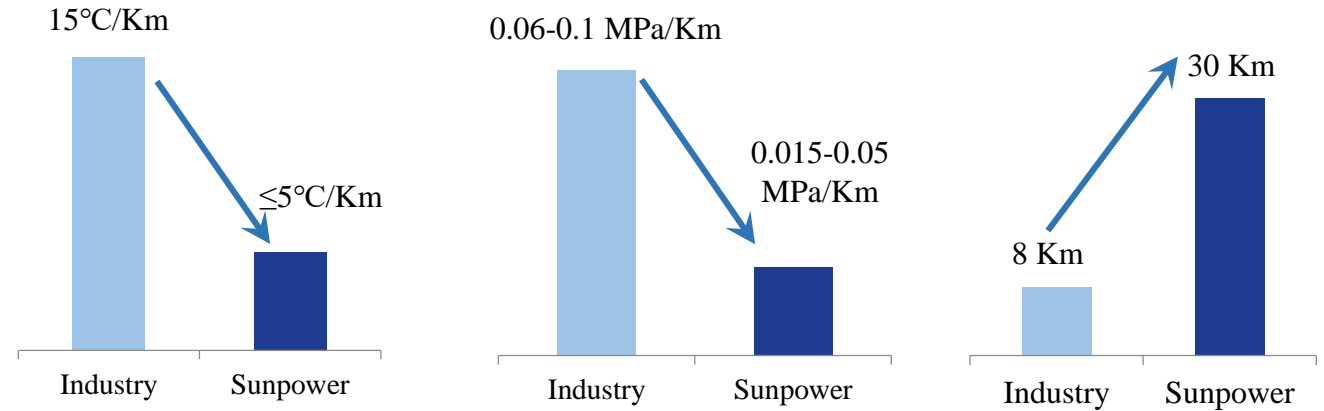


- **Proprietary energy-saving & long-distance distribution technology**
- **Experienced management with full interest alignment: strong discipline in project evaluation & low cost overrun risks**
- **Fully integrated capabilities: in-house design institute, environmental protection manufacturing & services**
- **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
  - Desulphurization 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'm)
<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>

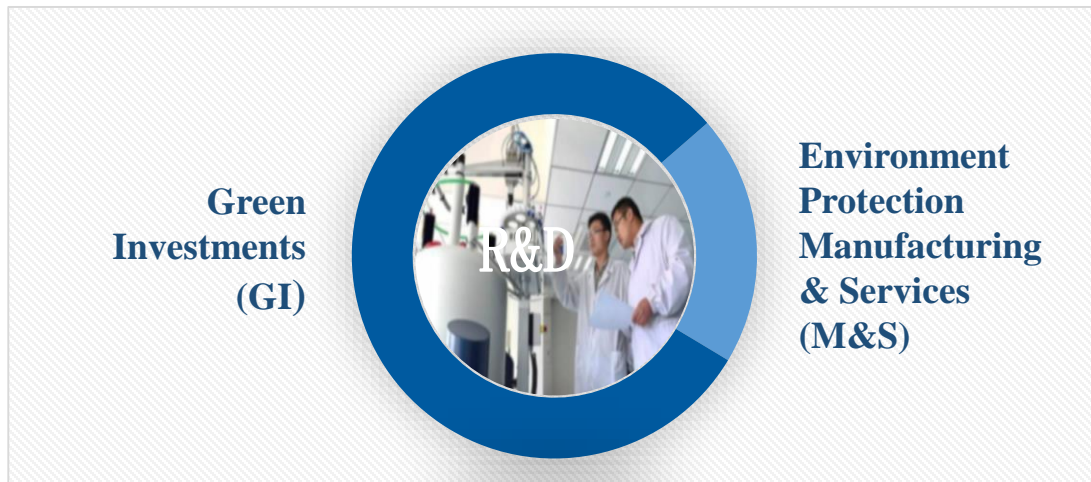
Notes: based on current estimates and forecast.

(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>

- 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.<sup>(2)</sup>

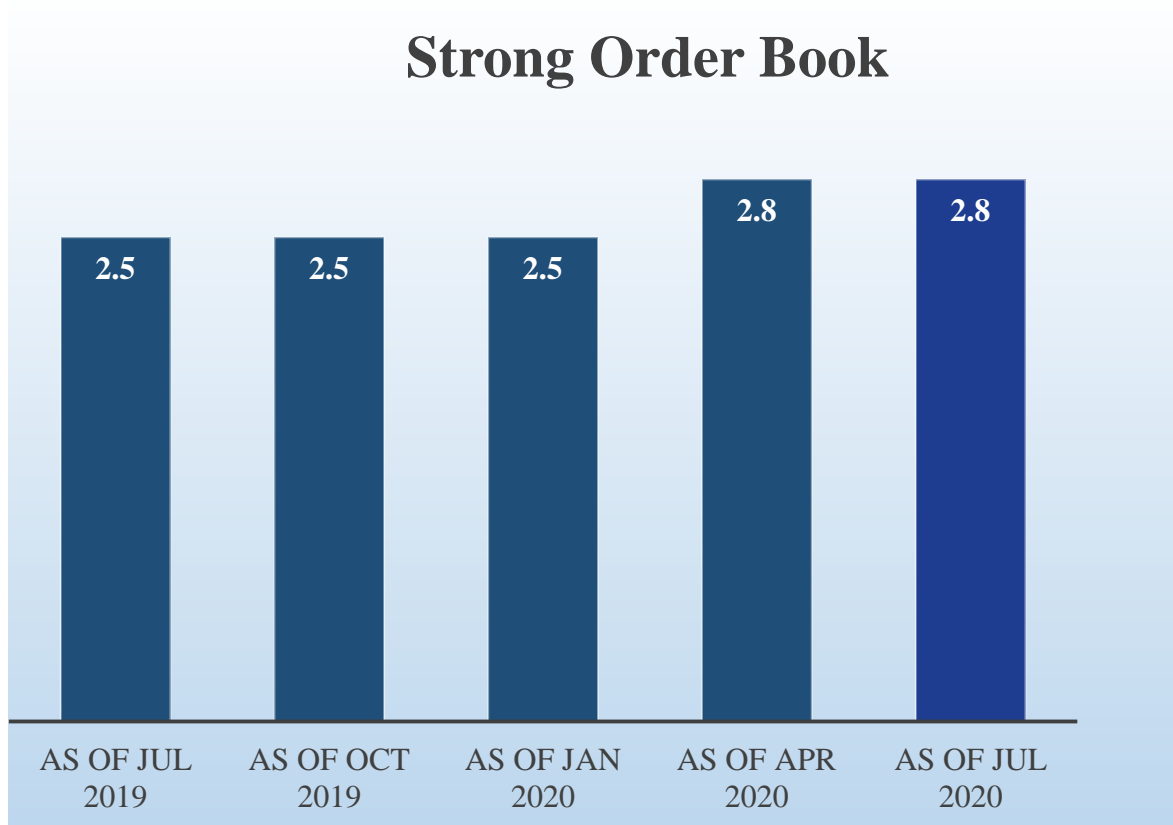


(1) Based on invested capital

(2) Based on the Company's long-term discounted cashflow forecasts

# Stable and Growing Manufacturing & Services

*Order book<sup>(1)</sup> remains strong and has sustained at RMB2.8 billion for two consecutive quarters*

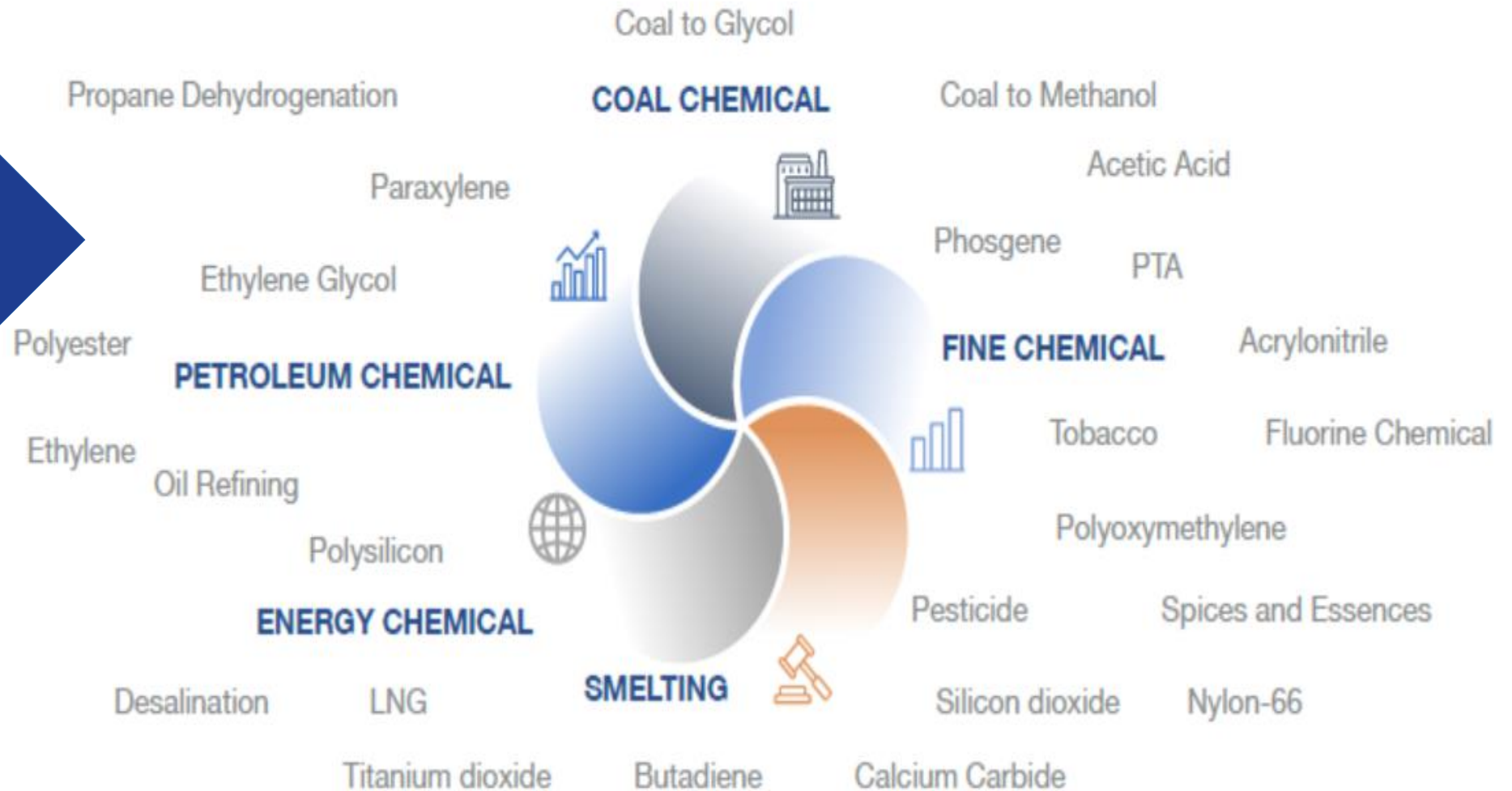


(1) Excluding contracts delivered in 1H 2020

- **> 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 capability in acquiring 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 Quanjun**  
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

 <b>Belle International</b> (百丽鞋业) China's Leading Women Shoes Retailer	 <b>Mengniu Dairy</b> (蒙牛乳业) China's Leading Dairy Company	 <b>Nanfu Battery</b> (南孚电池) China's Leading Alkaline Battery Producer	 <b>Qingdao Haier</b> (青岛海尔) Global Leader in Home Appliances	 <b>Hengan International</b> (恒安集团) China's Largest Napkin and Diaper Producer	 <b>Ping An Insurance</b> (平安保险) China's Leading Insurance Provider	 <b>Modern Dairy</b> (现代牧业) China's Leading Dairy Company
 <b>WH Group</b> (万州国际) Global Leader in Meat Processing	 <b>Greenland Group</b> (绿地集团) China's Leading Real Estate Conglomerate	 <b>Midea Group</b> (美的集团) Global Leader in Home Appliances	 <b>CICC</b> (中国国际金融有限公司) China's Leading Investment Bank	 <b>Focus Media</b> (分众传媒) China's Largest Out-of-home Advertising Network	 <b>COFCO Meat</b> (中粮肉食) China's Leading Meating Processing Company	 <b>Uxin</b> (优信拍) China's Leading Online Used-car Platform

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





**01**  
**SUNPOWER**  
at a Glance

**02**  
Investment  
Highlights

**03**  
GI  
Performance

**04**  
Financial  
Highlights

**05** Q&A Session

## AGENDA

---

# 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. Part of Xintai Zhengda Project (new plant) has been completed and in trial production.
- With double-digit IRR, all GI projects in operation are in line with or even beating 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

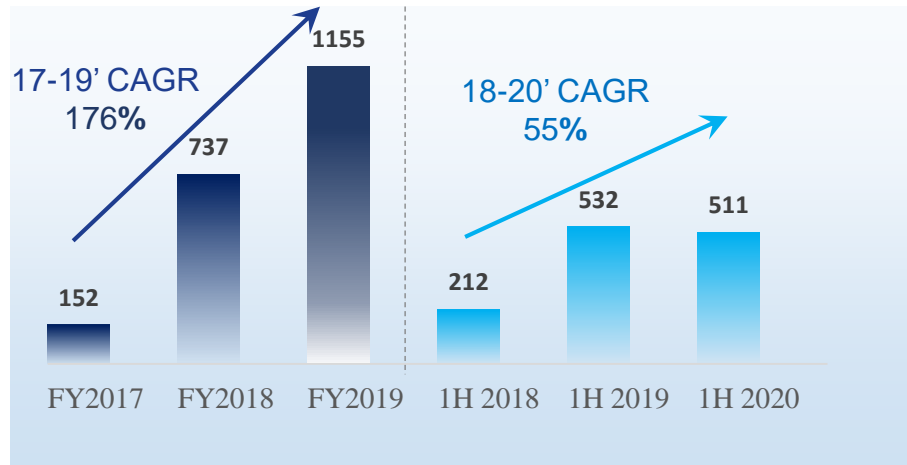


**Sizeable GI**  
portfolio that  
delivers long-term,  
recurring and  
high-quality  
income and  
cashflows

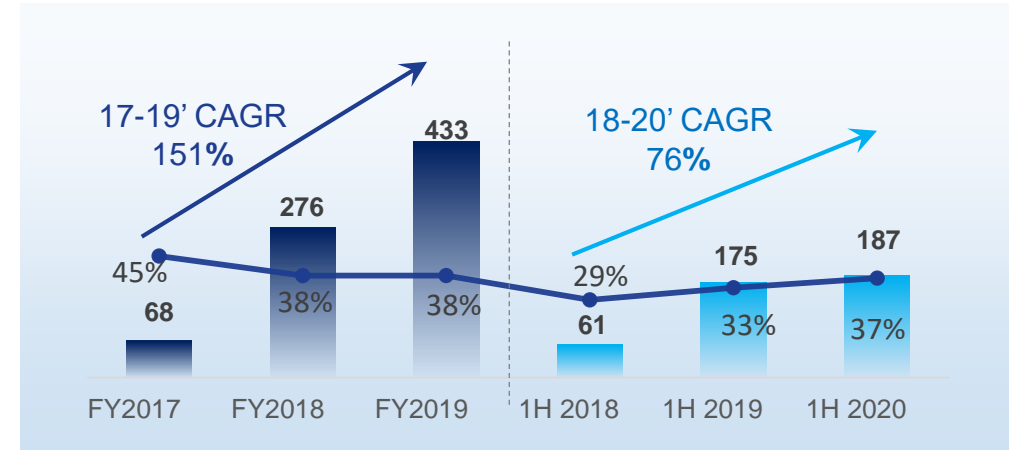
**By 2021**

# GI Performance Remains Resilient

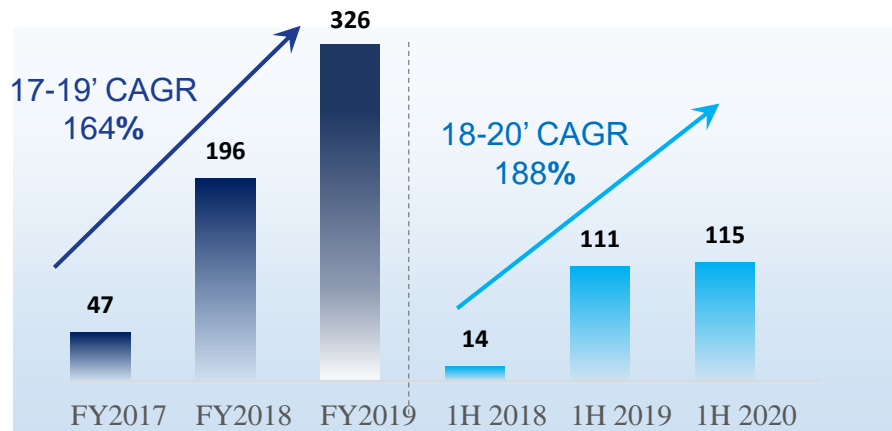
## Revenue (RMB mil)



## EBITDA (RMB mil) & EBITDA Margin



## GI Segment Result(RMB mil)



- GI plants resumed normal operations in 2Q 2020. Strong recovery was seen by the GI business after the economy reopened.
- Profitability in 1H 2020 was continuously improved despite the reduced operating hours caused by the pandemic due to operational efficiency improvement and further cost control.
- As GI cashflows are long-term, recurring and high-quality, the Group's quality of earnings has been significantly enhanced.
- Recurring cashflow will be a funding source for future GI expansion.
- 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, 1 project in trial production.
- Part of Xintai Zhengda’s new plant has completed and started trial production as scheduled.

## 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 remains under construction.
- Construction of remaining part of Xintai Zhengda’s new plant is on-going.
- Construction of Tongshan Project has gotten underway and is expected to complete in 2021.

**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 >RMB3.5billion.

# 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 excellent performance in 1H 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.\*
- 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

## 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



*Shantou Project-Phase 1*

## 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.

### Capacity

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

Construction of Phase 1 is expected to be completed in 2021

**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 steam/heating will help the local government to **address people's livelihood issues** and **alleviate the cost of 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.

# 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 Post-acquisition demand for its steam is expected to grow 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.

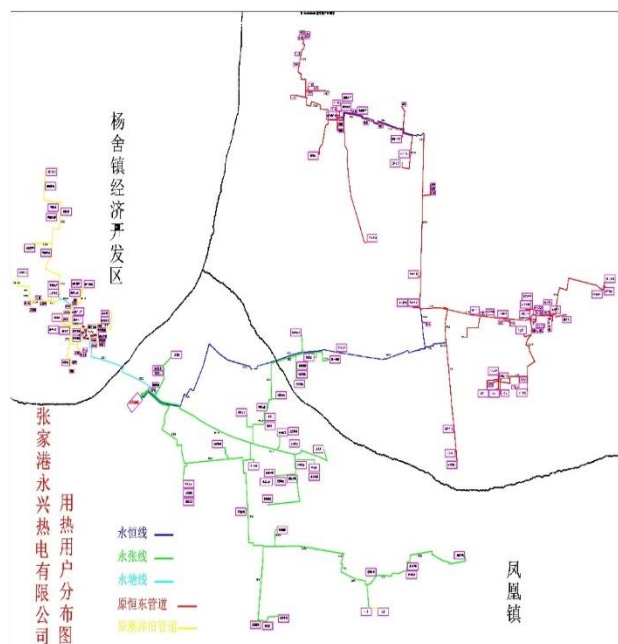
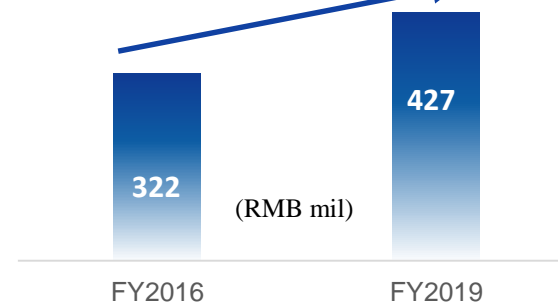
**Product mix:** steam & electricity

## Plant Highlights

- **Strong fundamentals**
- **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.

## Yearly Revenue of Yongxing Plant

CAGR +10%



Geographic Distribution of Yongxing's Customers

# 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.



**01**  
**SUNPOWER**  
at a Glance

**02**  
Investment  
Highlights

**03**  
GI  
Performance

**04**  
Financial  
Highlights

**05** Q&A Session

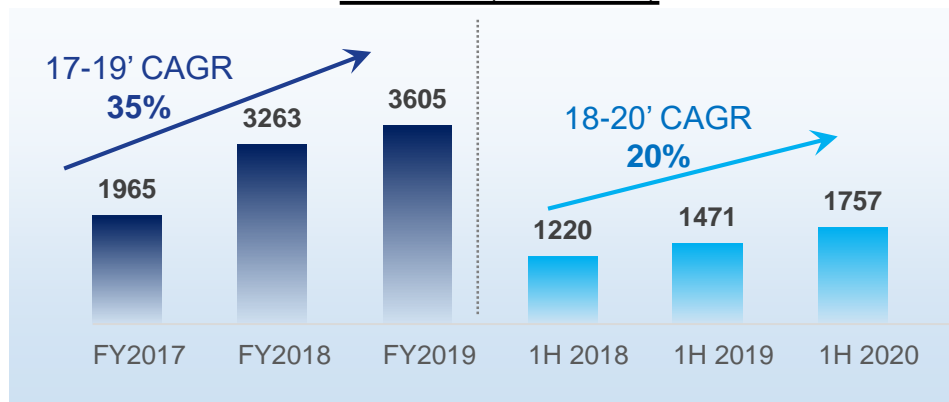
## AGENDA

---

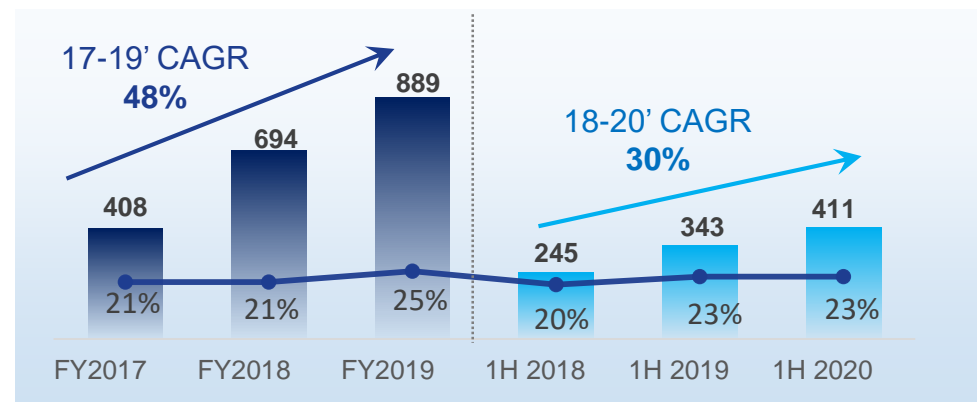
# Stepped Up The Pace Despite the Pandemic

- Revenue and underlying net profit in 1H2020 surged to new record highs despite the temporary operational constraints caused by the pandemic.
- Strong growth in topline and bottom line, while profitability was further improved due to continuous improvement of operation efficiency, further cost control and technological innovations etc.
- Proven valuable company with internally-strong, resilient and adaptable business model.

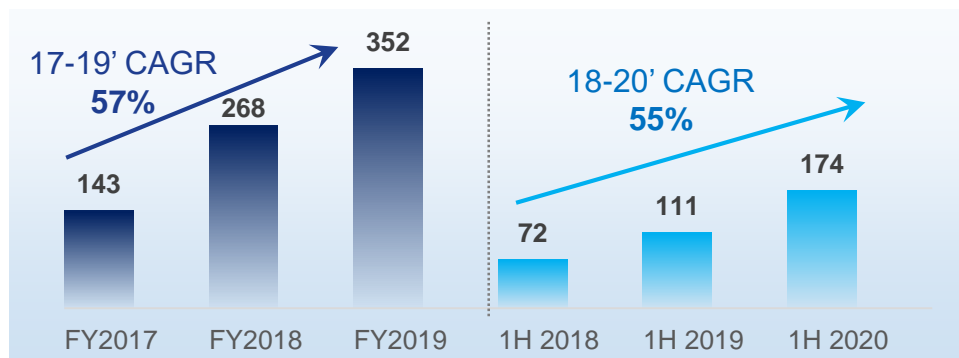
**Revenue (RMB mil)**



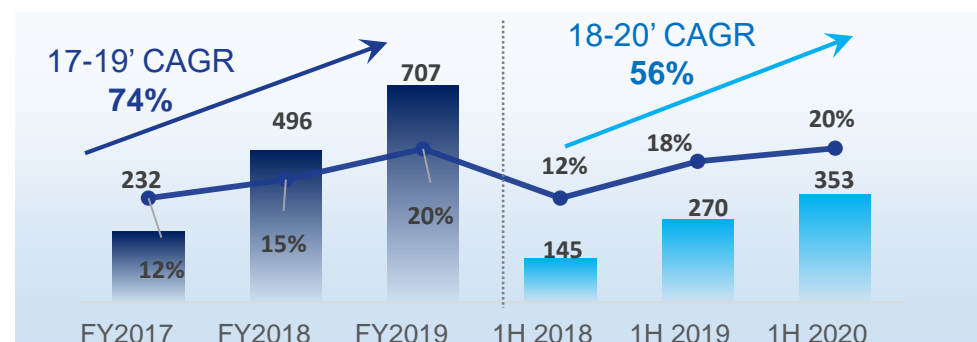
**Gross Profit (RMB mil) & Gross Margin**



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

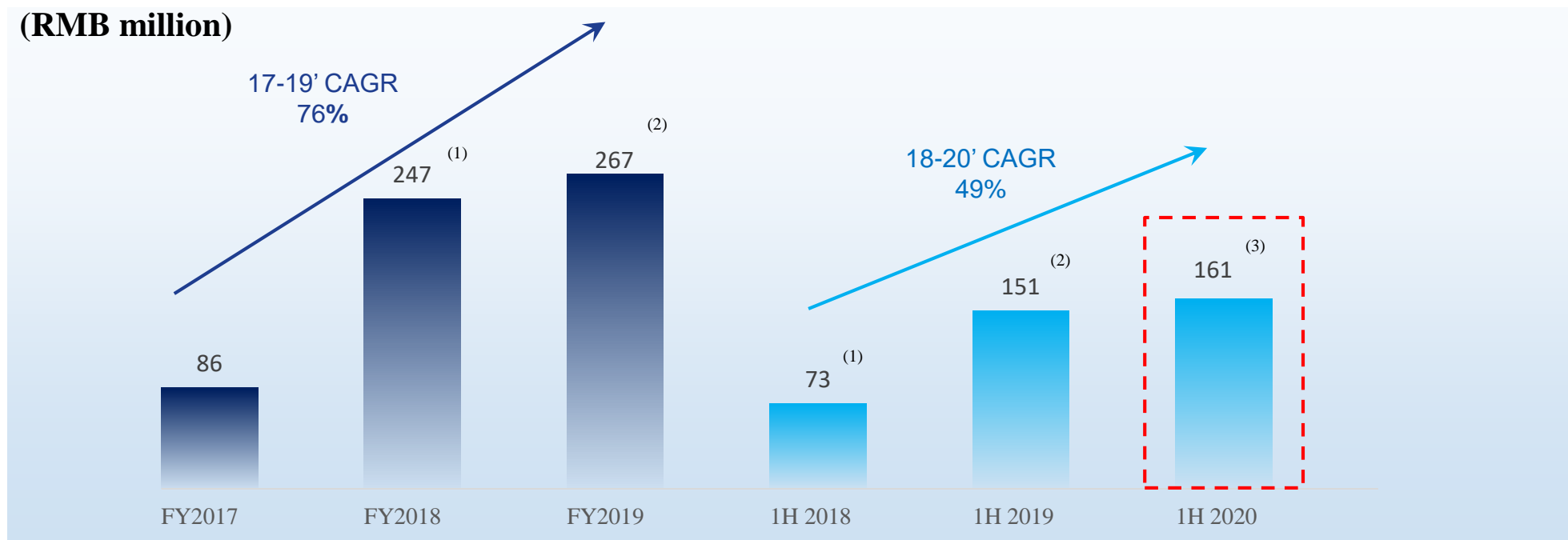


**EBITDA (RMB mil) & EBITDA margin**



\* Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to equity holders (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.

# Group Operating Cashflow Remains Strong

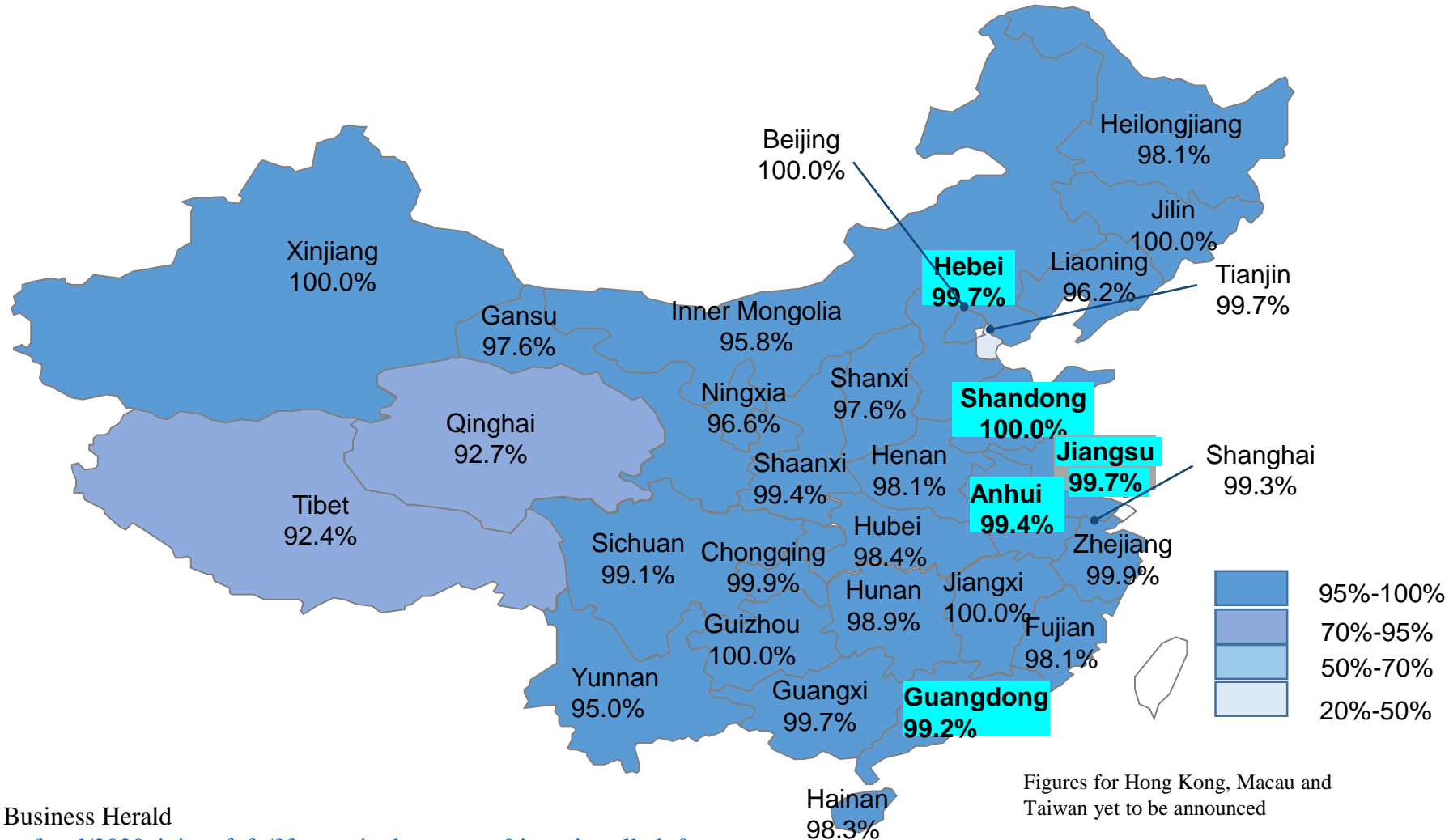


- (1) Underlying operating cash flow, excluding CB interest of RMB17.4 million
- (2) Underlying operating cash flow, excluding CB interest of RMB19.7 million
- (3) Underlying operating cash flow, excluding CB interest of RMB22.7 million

- Proven ability of the GI and M&S businesses to generate cashflow despite temporary operational constraints caused by pandemic.
- The resilience of the Group's business is expected to continue to boost operating cashflow.

# Pandemic has Remained Under Control in China

*Nationwide Work Resumption Rate throughout China remains 100% or close to 100% as at August 2020*



Source: 21<sup>st</sup> Century Business Herald

[https://app.21jingji.com/html/2020yiqing\\_fgfc/?from=singlemessage&isappinstalled=0](https://app.21jingji.com/html/2020yiqing_fgfc/?from=singlemessage&isappinstalled=0)

# China Economy is on Recovery Track

China's economy is growing again. That's good news for the rest of the world

By Laura He, CNN Business Jul 15, 2020  0



Workers make aluminum caps for car generators in a workshop. Lianyungang City, Jiangsu Province, China, 15 Ju 2020.

Costfoto/Barcroft Media/Getty Images

## Economists' forecasts on China's future growth positive



## 2Q 2020 GDP grew 3.2% YoY (National Bureau of Statistics on 16 Jul 2020) <sup>(1)</sup>

- “...the early epicenter of the outbreak....China was the first major economy to reopen. Now it's the first to emerge from the record downturn.”
- “China's recovery suggests that its economy remains on pace to grow this year....”

### Economist Forecasts

### FY 2020

Caixin Research Institute	↑ 6.0% (3Q 2020)	↑ 2.6-3.0%
Oxford Economics	↑ 6.0% (2H 2020)	↑ 2.5%
IMF	-	↑ 1.0%

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

- President Xi said in “Seeking Truth” 求是 periodical in June 2020, that one of the important steps to build a well-off society is to solve the outstanding problems of environmental pollution in key areas <sup>(1)</sup>
- Premier Li Keqiang outlined 3 battles in the list of priorities for the Government at the Third Session of The 13th National People's Congress, namely (1) targeted poverty alleviation, (2) **pollution control**, and (3) preventing financial risks <sup>(2)</sup>
- The Ministry of Ecology and Environment pointed out that it will continue to promote two tasks in 2020, namely pollution prevention and control to bring back blue skies, clear waters, and pure lands; and application of law, science and precision in pollution control <sup>(3)</sup>

- Mysteel's statistics: 9 June 2020: 33 regions have issued the 2020 Blue Sky Defense Action Plan. Among them, the blue sky defense war action plan in 12 regions involves the renovation of coal-fired boilers <sup>(4)</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>(5)</sup>
- Hebei announced plans to win the Blue Sky War while implementing arrangements for pandemic control <sup>(6)</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>(7)</sup>

(1) 求是 is a bi-monthly political theory periodical by the Central Party School and the Central Committee of the CCP.

(2) <https://edition.cnn.com/2020/07/15/economy/china-gdp-intl-hnk/index.html>

(3) <http://huanbao.bjx.com.cn/news/20200612/1080710.shtml>

(4) <http://huanbao.bjx.com.cn/news/20200609/1079758.shtml>

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

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

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



# FY2020 Outlook

Sunpower has quickly turned around from the temporary headwinds of the pandemic and is actively fulfilling the growth potential of its core GI and M&S businesses.

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

## GI Business:

- **Additional drivers, including:**
  - a) Full-year contributions from newly-acquired plants
  - b) Anticipated additional contributions from Shantou Phase 1 and new plant of Xintai Zhengda
- **Continued ramp-up of existing GI projects driven by:**
  - a) Continued 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**
- **Continuous improvement in operational efficiency and cost control**

## 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
- 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\*

	1H 2020	1H 2019	Change (%)
<b>Revenue</b> (RMB million)	1,756.9	1,470.6	19.5
<b>Gross Profit</b> (RMB million)	410.9	343.2	19.7
<b>Gross Profit Margin</b> (%)	23.4	23.3	0.1 pps
<b>EBITDA</b> (RMB million)	352.5	269.5	30.8
<b>EBITDA Margin</b> (%)	20.1	18.3	1.7 pps
<b>Underlying Net Profit<sup>(1)</sup></b> (RMB million)	173.5	111.0	56.3
<b>Underlying Net Profit Margin</b> (%)	9.9	7.5	2.3 pps
<b>Underlying EPS</b> (RMB cents)	21.9 <sup>(2)</sup>	14.7 <sup>(3)</sup>	49.0

\*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 equity holders (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 791,848,142 ordinary shares.
- (3) Based on the weighted average number of ordinary issued share capital of 754,529,463 ordinary shares.

# Balance Sheet Summary\*

(RMB million)	As of June 30, 2020	As of June 30, 2019
<b>Cash and cash equivalents &amp; pledged bank deposits</b>	731.6	695.1
<b>Trade Receivables</b>	1,327.0	1,273.4
<b>Inventories</b>	545.5	618.1
<b>Total Current Assets</b>	3,098.5	3,158.9
<b>Non Current Assets</b>	4,665.1	3,715.3
<b>Short-term Borrowings</b>	797.8	719.4
<b>Current Liabilities</b>	2,712.2	3,019.3
<b>Long-term Borrowings</b>	1,742.2	1,020.3
<b>Convertible bonds liability</b>	794.3	817.0
<b>Equity attributable to equity holders of the Company</b>	2,015.3	1,608.4
<b>Total equity</b>	2,293.4	1,853.1

\*Without financial effects of Convertible Bonds and Warrants

# Cash Flow Summary\*

(RMB million)	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Net cash generated from/(used in) operating activities</b>	138.5	181.8
<b>Underlying operating cash flow</b>	161.2 <sup>(1)</sup>	151.0 <sup>(2)</sup>
<b>Interest expense</b>	48.6	47.8
<b>Net cash (used in) investing activities</b>	(432.6)	(640.1)
<b>Net cash from (used in) financing activities</b>	232.4	228.1

(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**



**01**  
**SUNPOWER**  
at a Glance

**02**  
Investment  
Highlights

**03**  
GI  
Performance

**04**  
Financial  
Highlights

**05 Q&A Session**

## **AGENDA**

---



# Disclaimer

---

This presentation is not financial product advice and prepared for informational purposes only, without regard to the objectives, financial situation nor needs of any specific person.

This presentation and the information contained herein does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Sunpower Group Ltd. (“Sunpower” or the “Company” and together with the subsidiaries, the “Group” ) in any jurisdiction or an inducement to enter into investment activity, nor may it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

The information herein has been prepared by the Company solely for use in this presentation. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. To the maximum extent permitted by law, none of the Company, the Group or any of its affiliates, advisors or representatives will be liable (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with the presentation.

This presentation includes forward-looking statements and financial information provided with respect to the anticipated future performance of the deal and involve assumptions risks and uncertainties based on the Company’s view of future events. Accordingly, there can be no assurance that such projections and forward-looking statements can be realized. The actual results may vary from the anticipated results and such variations may be material. No representations or warranties are made as to the accuracy or reasonableness of such assumptions of the forward-looking statements and financial information based thereon. The Company undertakes no obligation to update forward-looking statements and financial information to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. The past performance of the Company and the Group is not necessarily indicative of the future performance of the Company or the Group.

Neither this presentation nor any of its content may be distributed, reproduced, or used for any purpose without the prior written consent of Sunpower. By accessing to this presentation, you agree not to remove or revise this document, or any materials provided in connection herewith. You agree further not to photograph or publish these materials, in whole or in part, in any form or pass on these materials to any other person for any purpose.