

## GI driven growth in 1H2018 revenue and underlying net profit

Well-positioned to become a leading environmental services company

- **Revenue and EBITDA grew by 70% while underlying net profit rose 25% YoY**

- **Green Investments (“GI”) segment**

**Five operating projects contributed RMB211.6 million in revenue for the first time, with high EBITDA of RMB60.6 million in 1H2018.**

**With GI on track to generate substantial NPV of cash flows, the Group has taken concrete steps to move closer to its target of having GI contribute the bulk of its underlying value.**

- **Manufacturing & Services (M&S) segment**

**Revenue in 1H2018 grew 40% YoY to cross RMB 1.0billion**

**M&S order book stood at approximately RMB 2.0billion as at end June 2018 after taking into account contract deliveries in 1Q2018**

**Singapore, 14 August 2018** – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), an environmental protection solutions specialist in proprietary energy-saving and clean power technologies with a strong focus on expanding into anti-pollution investment projects (**“Green Investments” or “GI”**) that generate long-term intrinsic value in the form of recurring quality cash flows, today announced its financial results for the first half of 2018 (“1H2018”).

### Financial Highlights

RMB million	1H2018	1H2017	Change
Revenue	1,219.6	719.1	+69.6%
EBITDA	145.4	85.9	+69.3%
EBITDA margin	11.9%	11.9%	-
Adjustment relating to Convertible Bonds <sup>(2)</sup>	(71.1)	(109.7)	n/m
Profit before income tax	10.9	(41.1)	n/m
Profit attributable to shareholders	1.4	(51.5)	n/m
Basic EPS <sup>(1)</sup> (RMB cents)	<b>0.2</b>	<b>(7.0)</b>	<b>n/m</b>
<b>Underlying net profit <sup>(2)</sup></b>	<b>72.5</b>	<b>58.2</b>	<b>+24.6%</b>
<b>Underlying EPS <sup>(1)</sup> (RMB cents)</b>	<b>9.8</b>	<b>7.9</b>	<b>+24.1%</b>

#### Notes:

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

(2) **Underlying net profit increased by RMB14.3 million or 24.6% year-on-year (“YoY”) to RMB72.5 million in 1H2018, mainly attributable to increased contributions from the GI and M&S business segments.** The underlying net profit is the true operating performance of the Group,

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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.

### **Investment Highlights**

Sunpower is building a sizeable and valuable portfolio of GI assets to take advantage of the substantial opportunities available in the China anti-smog sector.

Key government actions that fuel the opportunities available for the Group are:

- The closure of small “dirty” coal boilers used to generate steam, heat and electricity, and a structural shift to centralised “clean” GI facilities in industrial parks,
- The relocation of factories into industrial parks with centralised steam facilities where the needs of newly-relocated users and their continued expansion will benefit GI.

GI assets are expected to deliver long-term, recurring and high-quality cash flows, as:

- GI projects are exclusive steam suppliers within its coverage area as usually 30-year concession agreements are signed with the local governments and have a captive customer base as steam is a non-discretionary input product,
- They enjoy attractive double-digit internal rate of return (IRR), supported by long-term concessions of typically 30 years and strong tariff collection supported by the ability to require prepayments by customers,
- Sunpower is a market leader and first mover in GI, led by a management team experienced in environmental protection and project management, and
- It is well-equipped to forge strongly ahead, due to a robust balance sheet and supportive institutional shareholders that believe in the investment merits of the GI business.

As such, management believes that expanding the GI portfolio is the right direction, and will work hard to further build up GI as its value creator and growth driver until it forms the bulk of the Group’s intrinsic value. This value can be expressed in the Net Present Value (“NPV”) of cash flows over the concession period that will be substantially higher than the latest GI contributions.

### **Group Results**

Sunpower reported strong results in 1H2018 that showed significant contributions from GI for the first time, compared to a zero base in 1H2017. The Group is on track to generate substantial NPV of cash flows in the long-term that will exceed its contribution in 1H2018. With a strong pipeline of greenfield and M&A projects under evaluation, it has taken concrete steps closer to its ambition of having GI contribute the bulk of its underlying value.

In summary, group revenue increased by RMB500.5 million or 69.6% YoY from RMB719.1 million in 1H2017 to RMB1,219.6 million in 1H2018. Group EBITDA increased by RMB59.5 million or 69.3% YoY from RMB85.9 million in 1H2017 to RMB145.4 million in 1H2018. Underlying net profit, which reflects the Group’s actual operating performance after normalising for extraordinary items caused by CB accounting treatment, increased by RMB14.3 million or 24.6% YoY from RMB58.2 million in 1H2017 to RMB72.5 million in 1H2018.

GI generated revenue of RMB211.6 million in 1H2018, accounting for 17.3% of revenue and made up almost half of the Group’s YoY revenue increase of RMB500.5 million. M&S also did well in 1H2018,

with a revenue increase of RMB289.0 million or 40.2% YoY to cross RMB1.0 billion, driven by its record order book of RMB2.0 billion achieved at end-Mar 2018. As at end-June 2018, the order book has remained at RMB2.0 billion even after including 1H2018's deliveries.

As a result, group EBITDA increased by RMB59.5 million or 69.3% YoY from RMB85.9 million in 1H 2017 to RMB145.4 million in 1H 2018. With just 5 projects in operation, EBITDA generated by GI was RMB60.6 million, which formed a significant portion of Group EBITDA of RMB145.4 million. EBITDA margin was maintained at 11.9% in 1H2018 as per achieved in 1H2017, mainly due to the better profitability of GI that offset the effects of higher raw materials in the M&S segment.

Underlying net profit, which reflects the Group's actual operating performance after made adjustment relating to CB, increased by RMB14.3 million or 24.6% YoY from RMB58.2 million in 1H2017 to RMB72.5 million in 1H2018. Growth was driven by both GI and M&S.

### GI business update

To-date, the Group has invested and committed a total of RMB1.3 billion in equity to build up its GI portfolio including Yongxing Plant, and is on track to invest a total of approximately RMB2.5 billion in equity by 2021 on GI projects, including the strong deal pipeline of dozens of projects. The number of projects will vary from time to time as the Group continuously conducts due diligence. However, the Group believes that the expansion potential for the GI business will continue to grow as long as severe air pollution continues to be a severe problem in China.

#### A. As at 30 June 2018, GI production capacity is as follows:

Production Capacity	Annualized Active Capacity	Annualized Back-up Capacity <sup>(1)</sup>	Total Capacity
Steam (million tonnes)	3.5	2.3	5.8
Electricity (million MWh)	0.23	0.15	0.38

(1) Back-up capacity is to ensure the ability to provide a constant steam supply and is not normally used to produce steam. But it may be used to supplement active steam capacity if there is excess demand.

#### B. Update on the Investments in GI to-date

Status	Projects	Sunpower's Equity Investments <sup>(1)</sup> (RMB million)	Sunpower's Stake (%)	Designed Capacity
In Operation	Changrun Project-phase1	434.1	100%	2 x 220 tons/hour (t/h) 2 x 25MW
	Xinyuan Thermal Power Plant	85.0	85%	3*75t/h +1*6MW +1*6MW 220t/h + 25MW
	Lianshui Project	38.3	95%	2 x 40 t/h
	Quanjiao Project	49.2	100%	1 x 40 t/h
	Jining Project	10.3	49%	n/a

<b>Sub-total</b>	-	<b>616.9</b>	-	-
<b>In the final stage of M&amp;A completion<sup>(2)</sup></b>	Yongxing Plant	306.0	100%	350t/h+36MW
<b>Under Construction</b>	Shantou Project-phase1	155.0	51%	n/a
	Xintai Zhengda Project	227.2	71%	n/a
<b>Sub-total</b>	-	<b>688.2</b>	-	-
<b>Amount Invested and Committed</b>	-	<b>1305.1</b>	-	-
<b>To be Constructed<sup>(3)</sup></b>	-	220.4	-	-
<b>Pipeline</b>	-	977.2	-	-
<b>Total</b>	-	<b>2502.7</b>	-	-

Notes: based on current estimates and forecast

- (1) Assuming ~40% equity/60% debt.
- (2) Signed and the share transfer will start soon.
- (3) Projects are signed and in design phases

### C. Updates on Acquisition of Yongxing Plant

Most recently, the Group announced that it has completed its due diligence and committed to acquiring the 100% equity owned by Hengtong Group in Yongxing Plant and Hengtong Group's 40% equity in Jiangsu Hengtong Electricity Sales Co., Ltd. With an attractive acquisition valuation, the Group is cautiously optimistic that, barring unforeseen circumstances, the acquisition will be positive to revenue and net profit immediately upon completion in 2018. Key among Yongxing's attractions are its strong historical performance in supplying steam to the textile, chemical, metallurgy and other industries with stable cash flow, its future growth potential as the exclusive centralised steam provider within its coverage area in Zhangjiagang, Suzhou City, a city with substantial economic growth potential, as well as its electricity sales licences that are difficult for private companies to obtain and may allow the Group to tap another source of stable income and recurring cash flow in future. Refer to announcements dated 9 July 2018 and 14 August 2018.

### Outlook

In July 2018, China's State Council established a new cross-ministerial leadership group<sup>1</sup> to tackle pollution in northern China, supplementing the efforts of the Ministry of Ecology and Environment. In addition, the new 2018-2020 *Three-year Action Plan for Winning the Blue Sky War* covers more cities that the policy/action plan that it replaces - the 2013 *Air Pollution Action Plan* that was one of China's most significant environmental policy of the past five years<sup>2</sup>. Such top-level official backing will drive the long-term growth prospects of China's environmental protection industry, particularly the anti-smog services sector that the GI business is targeting.

In the near-term, the Group expects the following to benefit its performance in 2H2018.

<sup>1</sup> <https://www.reuters.com/article/us-china-pollution/china-cabinet-launches-new-group-to-tackle-pollution-around-beijing-idUSKBN1K10S8>

<sup>2</sup> <http://www.eco-business.com/news/china-releases-2020-action-plan-for-air-pollution/>

- The securing of new steam customers, driven by the continued closure of small “dirty” boilers in existing industrial parks and relocation of new factories into parks served by GI’s centralised boilers.
- The continued ramp-up of GI projects, expected grid connections to bring in additional electricity revenue, the provision of heat during winter to generate heat revenue, and the heat supply is also entitled to government subsidy, and continued steam pipeline connections to bring in more customers.
- Expected contributions from Yongxing Plant and other potential M&A contributions
- M&S segment is expected to benefit from a record order book of approximately RMB2.0 billion as at end-June 2018, cost control initiatives and expansion into new areas and markets

**Mr. Guo Hong Xin, Executive Chairman of Sunpower, commented:**

*“China needs to resolve its severe smog and other air pollution problems. We are well-positioned and well-equipped to capitalise on these substantial market opportunities right away, given our competitive advantages that include proprietary technologies, know-how and management expertise. We firmly believe that the most fundamental measure of our success has been our ability to spot these opportunities and to orient the future direction of the company in a way that will create substantial value for our shareholders.*

*We expect the second half-year to be rewarding for us as we remain very focused on building a sizeable and valuable portfolio of GI assets which generates long-term, recurring and high-quality cash flows. Our unwavering target is to make GI our value creator and growth driver, such that it eventually forms the bulk of our company’s value.”*

**Forward-looking Statement**

This press release includes forward-looking statements and financial information provided with respect to the anticipated future performance and involve assumptions and uncertainties based on the Group’s view of future events. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the quotations from management in this press release and the Company's operations and business outlook, contain forward-looking statements. The actual results may vary from the anticipated results and such variations may be material. Accordingly, there can be no assurance that such projections and forward-looking statements can be realized. 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 Group 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 Group is not necessarily indicative of the future performance of the Group.

**About Sunpower Group Limited**

Founded in 1997, Sunpower Group Ltd. (SGX: 5GD.SI) is an environmental protection solutions specialist in proprietary energy saving and clean power technologies, with a strong focus on expanding into anti-pollution investment projects (“Green Investments”) which generates intrinsic value in the form of long-term, recurring and high-quality cash flows.



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With proven capabilities in technology innovation and proprietary clean energy solutions, Sunpower is shaping a green future for itself by continuously developing its business segments of Green Investments (GI) and Manufacturing & Services (M&S). Sunpower has rapidly expanded its GI business in recent years by leveraging on its existing core technologies of high-efficiency heat transfer, long distance heat insulated steam distribution, energysaving and ultra-low emission clean power generation. The GI segment is mainly focused on the investment and operation of centralised steam and electricity supply business, which is expected to bring in additional stream of recurring income to the Company.

In the M&S segment, Sunpower has delivered superior quality products and services to approximately 1,500 customers in over 30 countries across the globe to-date. Its reputable customer base includes BASF, BP, Shell, SABIC, DowDuPont, Alcoa and Mobil, China Petrochemical Corporation (SINOPEC), China National Petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOOC) and China Shenhua.

For more information, please refer to: <http://en.sunpower.com.cn>

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