Sunpower's GI business continues to drive strong growth in 3Q2018

Well-positioned to become a high-IRR environmental solutions company

- **Revenue grew by 87.5% YoY while underlying net profit rose 105.6% YoY in 3Q2018, an acceleration in growth in both 3Q2018 and 9M2018**

- **Green Investments ("GI") segment**

  7 GI operating projects contributed RMB207.4 million in revenue, with EBITDA of RMB94.8 million and EBITDA margin of 45.7%

  Yongxing Plant, acquired in 3Q2018, started contributions from August

  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 grew 36.6% YoY to RMB556.3 million, broadly maintaining 1H2018 pace of growth

  Record M&S order book reached to approximately RMB2.2 billion as at end-September 2018 after taking into account contract deliveries in 3Q2018

Singapore, 10 November 2018 – Mainboard-listed Sunpower Group Ltd. ("**中圣集团**", "**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 third quarter of 2018 ("**3Q2018**").

Financial Highlights (without CB effects)

RMB million	3Q2018	3Q2017	YoY % Chg	9M2018	9M2017	YoY % Chg
Revenue	763.7	407.2	87.5	1,983.3	1,126.3	76.1
EBITDA	124.3	34.5	260.8	269.7	120.3	124.1
EBITDA margin	16.3%	8.5%	7.8%-pt	13.6%	10.7%	2.9%-pt
Profit before income tax	79.5	21.0	278.1	147.2	80.0	84.1
Profit attributable to shareholders	56.8	15.1	276.7	115.0	63.6	80.7
Underlying net profit (1)	**56.8**	**27.6**	**105.6**	**129.2**	**85.8**	**50.6**
Underlying EPS (2) (RMB cents)	**7.7**	**3.6**	**105.6**	**17.5**	**11.6**	**50.6**

1) Underlying net profit is the true operating performance of the Group, after adjusting for amortised interest expenses and fair value gains or losses associated with the Convertible Bonds (CB) issued in 2017, as well as foreign exchange gains or losses.
2) Based on issued share capital of 737,657,142 ordinary shares.

Investment Highlights

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

Key drivers that fuel the opportunities available for the Group are:

- The closure of small "dirty" coal boilers and a structural shift to centralised "clean" GI facilities.
- Organic growth from customers in the industrial parks that GI projects are located.
- Additional growth from the relocation of new factories into industrial parks.

Sunpower is well-equipped to forge strongly ahead, due to:

- Its first-mover advantage in GI, led by a management team experienced in environmental protection and project management.
- A robust balance sheet and supportive institutional shareholders that believe in the investment merits of the GI business.

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. Typically 30-year concession agreements are signed with the local governments and they have a captive customer base as steam is a non-discretionary input product.
- GI projects enjoy attractive double-digit internal rate of return (IRR), supported by strong tariff collection and the ability to require prepayments by customers.

As such, management believes that expanding the GI portfolio is the right direction, and intends 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.

Financials

Sunpower reported strong results in 3Q2018 and 9M2018 that showed an acceleration in the pace of growth from the previous period, driven by continued robust contributions from GI as organic operations of existing plants ramped up as expected and the acquired Yongxing Plant contributed for the first time. The Group is on track to generate substantial NPV of cash flows in the long-term that will exceed its latest period's contribution. With its strong performance to-date and 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.

Pace of growth accelerated in 9M2018 and 3Q2018 from previous periods

(YoY % Change)	9M2018	6M2018	3Q2018	2Q2018
Group revenue	76.1%	69.6%	87.5%	59.1%
Underlying net profit	50.6%	24.6%	105.6%	(5.9%)

For 3Q2018, group revenue increased by RMB356.5 million or 87.5% YoY from RMB407.2 million in 3Q2017 to RMB763.7 million. In comparison, revenue in 2Q2018 grew by 59.1% YoY. Group EBITDA increased by RMB89.8 million or 260.8% YoY from RMB34.5 million in 3Q2017 to RMB124.3 million. Underlying net profit increased by RMB29.2 million or 105.6% YoY from RMB27.6 million in 3Q2017 to RMB56.8 million, more than doubling from 2Q2018's RMB26.1 million as well.

GI generated revenue of RMB207.4 million in 3Q2018, up from zero base in 3Q2017, and accounting for 27.2% of group revenue and 58.2% of the Group's YoY revenue increase of RMB356.5 million. EBITDA generated by GI in 3Q2018 was RMB94.8 million. GI benefited from (1) the continued ramp-up of the projects that started operations in late 2017, (2) the consolidation of Yongxing Plant's results from August following the completion of its acquisition during the quarter, as well as (3) initial electricity sales from the Changrun Project which was connected to the State Grid in September 2018 and diversified its revenue mix and improved its profitability.

M&S revenue increased by RMB149.1 million or 36.6% YoY from RMB407.2 million in 3Q2017 to RMB556.3 million, driven by its record order book of RMB2.0 billion achieved as at end-June 2018. As at end-September 2018, the order book has grown further to RMB2.2 billion.

For 9M2018, group revenue increased by RMB857.0 million or 76.1% YoY from RMB1,126.3 million in 9M2017 to RMB1,983.3 million. GI generated revenue of RMB419.0 million in 9M2018, accounting for 21.1% of group revenue and made up 48.9% of the Group's YoY revenue increase of RMB857.0 million. M&S also did well in 9M2018, with a revenue increase of RMB438.1 million or 38.9% YoY to RMB1,564.4 million.

9M2018 group EBITDA increased by RMB149.4 million or 124.1% YoY from RMB120.3 million in 9M2017 to RMB269.7 million. GI EBITDA of RMB155.4 million accounted for 57.6% of 9M2018 group EBITDA. Underlying net profit increased by RMB43.4 million or 50.6% YoY from RMB85.8 million in 9M2017 to RMB129.2 million.

GI business update

In 3Q2018, the GI business segment enjoyed a strong ramp-up by existing projects, in line with earlier expectations. In addition, the acquisition of Yongxing Plant was completed during the quarter and the Group started consolidating its results in August 2018.

To-date, the Group has invested and committed a total of RMB1.3 billion in equity to build up its GI portfolio, 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 September 2018, GI production capacity is as follows:

Production Capacity	Annualized Active Capacity	Annualized Back-up Capacity[1]	Total Capacity
Steam (million tonnes)	6.3	2.3	8.6
Electricity (million MWh)	0.51	0.15	0.66

[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

<table>
<tr><th>Status</th><th>Projects</th><th>Equity (RMB'm) (1)</th><th>Stake (%)</th><th>Designed Capacity</th></tr>
<tr><td rowspan="6">In Operation</td><td>Changrun Project – Phase 1</td><td>434.1</td><td>100%</td><td>2 × 220 tons/hour (t/h)
2 × 25MW</td></tr>
<tr><td>Xinyuan Plant</td><td>85.0</td><td>85%</td><td>3×75t/h+1×6MW+1×6MW
220t/h + 25MW</td></tr>
<tr><td>Lianshui Project</td><td>38.3</td><td>95%</td><td>2 × 40 t/h</td></tr>
<tr><td>Quanjiao Project</td><td>49.2</td><td>100%</td><td>1 × 40 t/h</td></tr>
<tr><td>Jining Project</td><td>10.3</td><td>49%</td><td>n/a</td></tr>
<tr><td>Yongxing Plant</td><td>306.0</td><td>100%</td><td>350t/h+36MW</td></tr>
<tr><td>Sub-total</td><td></td><td>922.9</td><td></td><td></td></tr>
<tr><td rowspan="2">Under Construction</td><td>Shantou Project - Phase1</td><td>155.0</td><td>51%</td><td>n/a</td></tr>
<tr><td>Xintai Zhengda Project (New facilities) (2)</td><td>227.2</td><td>71%</td><td>n/a</td></tr>
<tr><td>Sub-total</td><td>-</td><td>382.2</td><td>-</td><td>-</td></tr>
<tr><td>Amount Invested and Committed</td><td>-</td><td>1,305.1</td><td>-</td><td>-</td></tr>
<tr><td>To be Constructed (3)</td><td>-</td><td>220.4</td><td>-</td><td>-</td></tr>
<tr><td>Pipeline</td><td>-</td><td>977.2</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>-</td><td>2,502.7</td><td>-</td><td>-</td></tr>
</table>

Notes: based on current estimates and forecast
(1) Assuming ~40% equity/60% debt
(2) Existing plant still in operation and will remain operational until the commissioning of the new facilities
(3) Projects are signed and in design phases

Outlook

In July 2018, China's State Council released the new 2018-2020 Three-year Action Plan for Winning the Blue Sky War that covers more cities than before. 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.[1] In addition, the Standing Committee of the National People's Congress has called for the vigorous promotion of the clean and efficient use of coal due to rising prices and imports of natural gas. In the first eight months of 2018, China's imports of natural gas have risen almost 40% YoY and looks set to rise further even as LNG prices have breached the peak price set last year.[2]

Based on the strong results and the acceleration in growth that it has already achieved in 9M2018, barring unforeseen circumstances, the Group expects the following business trends to benefit its operating performance in 4Q2018.

- The continued ramp-up of GI projects, which will include:
  a) Quanjiao and Lianshui Projects will continued to secure new customers driven by the closure of small "dirty" boilers
  b) Full quarter electricity revenue to be contributed by the Changrun Project, and
  c) Additional revenue from providing heating during winter by Xinyuan Plant.

- Full quarterly contributions from Yongxing Plant

[1] https://www.eco-business.com/news/china-releases-2020-action-plan-for-air-pollution/
[2] http://www.sohu.com/a/258666598_11746

- The M&S segment is expected to benefit from a record order book of RMB2.2 billion and usually higher deliveries of work-in-progress products in Q4.

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

“China needs to urgently 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 is 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.

Going forward, we will remain 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.”

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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 generate intrinsic value in the form of long-term, recurring and high-quality cash flows.

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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