

Sunpower's GI Business Above-Expectations Growth Drives Record 2018 Profit

Grows into a long-term, recurring, high-quality income and cashflow company

- Driven by GI's rapid growth, underlying net profit rose 87% YoY in FY2018, with above-expectations growth of 140% YoY in 4Q2018
- Green Investments ("GI") segment
 - GI accounted for ~23% of group revenue, ~56% of group EBITDA and ~46% of segment results¹
 - Quality of earnings and cashflow significantly enhanced by GI's long-term, recurring and high-quality contributions
 - Well-positioned for the next phase, which is to ramp up existing GI operations further and look to secure more earnings accretive projects
- Manufacturing & Services (M&S) segment
 - Achieved record revenue of RMB2.5 billion, up 39% YoY, with margins and positive cashflow maintained
 - RMB2.5 billion orderbook in February 2019, up from RMB1.9 billion a year ago
 - Foundation business that will continue to support the sustainable expansion of GI
- Proposed first and final dividend of SGD0.0019 per share for 2018, the 9th consecutive year of dividends. Last year was SGD0.0012 per share.

Singapore, 27 February 2019 – 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 full year of 2018 (“FY2018”).

Financial Highlights (without CB effects)

RMB million	4Q2018	4Q2017	YoY Chg	FY2018	FY2017	YoY Chg
Revenue	1,279.6	839.2	52.5%	3,262.9	1,965.5	66.0%
Group EBITDA	226.3	112.0	102.1%	496.0	232.3	113.5%
Group EBITDA margin	17.7%	13.3%	4.4pp	15.2%	11.8%	3.4pp
Profit before income tax	180.5	68.7	162.8%	327.7	148.7	120.4%
Profit attributable to shareholders	138.5	53.0	161.6%	253.6	116.6	117.5%
Underlying net profit⁽ⁱ⁾	138.5	57.7	140.1%	267.8	143.1	87.1%
Underlying EPS⁽ⁱⁱ⁾ (RMB cents)	18.1	7.8	131.4%	35.0	19.4	80.3%

i. Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of CB) 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.

ii. Based on basic share capital of 765.4 million ordinary shares.

¹ Refer to item 15 of earnings announcement for the segmental results breakdown

Investment Highlights

Sunpower is on track to build 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's GI segment 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, and
- Additional growth from the relocation of new factories into industrial parks.

GI assets deliver long-term, recurring and high-quality cashflow, as they are:

- Exclusive steam suppliers with coverage areas with typically 30-year concessions. They have a captive customer base as steam is a non-discretionary input product, and
- They enjoy attractive double-digit internal rate of return (IRR), supported by strong tariff collection and the ability to require prepayments by customers.

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

- Its first-mover advantage in GI that allows it to invest or acquire at accretive valuations, 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, and
- Strong and proven execution capability, as demonstrated by the strong performance in FY2018.

Management believes the natural expansion into GI is the right direction, and intends to build up GI as its value creator and growth driver until it forms the bulk of the Group's intrinsic value. This value is 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 attained record growth in FY2018, driven by GI's above-expectations ramp-up. In expanding naturally to the GI business which generates long-term, recurring, high quality income and cashflow, Sunpower has achieved success in the initial phase of this expansion. The earnings has grown significantly with quality, evident by the better profit margin and cashflow.

GI Financial Highlights

RMB million	4Q2018	4Q2017	YoY Chg	FY2018	FY2017	YoY Chg
GI revenue	317.9	152.1	108.9%	736.8	152.1	384.4%
GI revenue as % of Group	24.8%	18.1%	6.7pp	22.6%	7.7%	14.9pp
GI EBITDA	134.0	68.5	95.8%	276.3	68.5	303.7%
GI EBITDA as % of Group	59.2%	61.1%	-1.9pp	55.7%	29.5%	26.2pp

FY2018

Full year underlying net profit increased 87.1% YoY to RMB267.8 million, primarily driven by stronger-than-expected ramp-up in utilisation by GI plants and the successful acquisition of Yongxing Plant.

Group revenue grew 66.0% YoY to a record RMB3,262.9 million. GI revenue grew 384.4% YoY to RMB736.8 million, accounting for 22.6% of group revenue and 45.1% of the YoY revenue increase. M&S revenue increased 39.3% YoY to a record RMB2,526.1 million.

GI segment result⁽¹⁾ grew 319.0% YoY to RMB196.0 million, accounting for 45.6% of the Group. Sunpower has achieved its target of ~50% of recurring income from GI ahead of schedule.

Group EBITDA increased 113.5% YoY to RMB496.0 million. GI EBITDA of RMB276.3 million accounted for the bulk of group EBITDA at 55.7%.

Despite still in the early stage of development, GI has already contributed significantly to a doubling of underlying operating cashflow² from FY2017. Operating cashflow generated by GI projects was RMB211.7 million.

In conclusion, Sunpower has achieved initial success in its GI expansion and grown into a long-term, recurring, high-quality income and cashflow company which grows earnings with quality. As GI projects are still ramping up, the net present value (NPV) of long-term GI cash flows is expected to considerably exceed the current EBITDA contributions.

4Q2018

4Q2018 was particularly strong as the acquired Yongxing Plant contributed for the first full quarter and ramp-up of other GI projects was stronger-than-expected. Underlying net profit increased 140.1% YoY to RMB138.5 million.

The trends that drove growth in 4Q2018 were similar to the full year. GI revenue rose 108.9% YoY to RMB317.9 million, accounting for 24.8% of group revenue and 37.6% of the YoY revenue increase. On top of that, GI EBITDA accounted for 59.2% of group EBITDA or RMB134.0 million, driving a 102.1% YoY rise in Group EBITDA to RMB226.3 million.

GI business update

In FY2018, the GI segment was able to tap into the enormous opportunities made possible by tough environmental policies targeted at cleaning up the air, to accomplish the following:

- Successful establishment of a sizeable and valuable portfolio of seven GI plants, vs three in FY2017,
- Successful integration including plant upgrades of acquired plants such as Yongxing.

The Group has invested and committed RMB1.3 billion in equity to build up its GI portfolio to-date, and is on track to invest RMB2.5 billion in equity by 2021. The Group believes that organic growth potential for GI will continue as long as air pollution continues to be a severe problem in China.

A. Update on the Investments in GI to-date

Status	Projects	Equity (RMB'm) ⁽¹⁾	Stake (%)	Designed Capacity
In Operation	Changrun Project – phase 1	434.1	100%	2×220 tons/hour (t/h) + 2×25MW
	Xinyuan Plant	85.0	85%	3×75t/h + 2×6MW 1×220t/h + 1×25MW
	Lianshui Project	38.3	95%	2×40 t/h

² Excluding payment of interest and realised foreign exchange loss in relation to CB

	Quanjiao Project	49.2	100%	1×40 t/h
	Jining Project	10.3	49%	n/a
	Yongxing Plant	306.0	100%	2×100t/h+1×150t/h + 2×18MW
Sub-total		922.9		
Under Construction	Shantou Project – phase 1	155.0	51%	3×150t/h+2×20MW
	Xintai Zhengda Project (new facility) ⁽²⁾	263.1	79.2%	3×130t/h+1×35MW+1×18MW
Sub-total	-	418.1	-	-
Amt Invested and Committed	-	1,341.0	-	-
To be Constructed ⁽³⁾	Liutuan Project – phase 1	95.2	70%	2×2400Wkcal 2×2000Wkcal
	Xinjiang Project – phase 1	104.0	100%	n/a
	Yingtian Project – phase 1	21.2	100%	n/a
Pipeline ⁽⁴⁾	-	942.4	-	-
Total	-	2,503.8	-	-

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

(4) Including a couple of projects in the late stage of evaluation.

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.³ The Ministry of Ecology and Environment has stated that it will crack down on officials in regions that miss air quality targets.⁴ 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 Sunpower’s GI business is targeting.

Barring unforeseen circumstances, Sunpower is well placed to further improve earnings growth and quality in the next phase, when it will ramp up GI operations further and look to secure more earnings accretive projects. The Group expects the following business trends to benefit its growth in FY2019:

- The continued ramp-up of existing GI projects, driven by:
 - a) Continuous securing of new customers following the mandatory closure of small “dirty” boilers and relocation into industrial parks, and
 - b) The organic growth of existing factories in industrial parks served by the Group’s GI plants.
- Full year contributions from acquired GI plants such as Yongxing Plant, electricity sales from Changrun Project and the start of sludge treatment by Changrun Project.
- Lianshui Project is expected to reach full operations in 2H2019.
- Start of trial production by Shantou Project in 2H2019.

³ <https://www.eco-business.com/news/china-releases-2020-action-plan-for-air-pollution/>

⁴ <https://www.japantimes.co.jp/news/2019/01/22/asia-pacific/science-health-asia-pacific/china-vows-crackdown-underperformers-ongoing-war-air-pollution/#.XGotGpMzbfE>

- Potential accretive M&A of GI plants that can contribute immediately to the top and bottom-line.
- Strong order book of RMB2.5 billion. M&S to focus on higher quality orders to improve yield.

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

“We are highly encouraged by the successful execution of our GI strategy in 2018, which has allowed the Group to simultaneously gain new growth drivers and achieve record earnings expansion. In addition, our M&S foundation business performed well despite the mixed macroeconomic environment.

China is working hard to fix its air pollution problems and has expanded smog governance policies to the whole of China with the enactment of the new 2018-2020 Three-year Action Plan for Winning the Blue Sky War. We are well placed to tap into this expanded market opportunity right away and orientate the future direction of the company in a way that will create substantial value for our shareholders.

With the initial success achieved in the initial phase of our natural expansion into GI, we believe that building a sizeable and valuable portfolio of GI assets which generates long-term, recurring and high-quality cash flows will see us reach new heights. 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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