

Sunpower has Strong Start in 2019 with Underlying Net Profit⁽ⁱ⁾ Up 31% YoY in 1Q2019

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

- Underlying net profit rose 31% YoY in 1Q2019 to RMB60.5 million, positioning the Group well for 2019, driven by GI's stronger ramp-up
- Strong growth by Green Investments ("GI") segment
GI revenue grew ~129% YoY despite the extended festive holidays in 1Q2019
GI comprised ~35% of group revenue, ~65% of group EBITDA and ~51% of segment results¹
Quality of earnings and cashflow significantly enhanced by GI's long-term, recurring and high-quality contributions
- Stable and growing Manufacturing & Services (M&S) segment
Revenue rose ~6% YoY as expected, with RMB2.5 billion orderbook as at April 2019 vs RMB2.0 billion a year ago
Focused on higher value-added contracts to maintain stable margins
- Exciting next phase ahead, as Group ramps up existing GI operations, upgrade acquired plants for greater profitability and look to secure more earnings accretive projects

Singapore, 14 May 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 first quarter to 31 March 2019 (“1Q2019”).

Group Financial Highlights (without financial effects of Convertible Bonds and Warrants)

RMB million	1Q2019	1Q2018	YoY Chg
Revenue	811.6	621.5	30.6%
Group EBITDA	133.4	42.0	217.8%
Group EBITDA margin	16.4%	6.8%	+9.6pp
Profit before income tax	81.7	37.8	115.8%
Profit attributable to shareholders	60.5	30.9	95.9%
Underlying net profit⁽ⁱ⁾	60.5	46.3	30.7%
Underlying EPS⁽ⁱⁱ⁾ (RMB cents)	8.1	6.3	29.4%

i. 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 and fair value gains or losses as well as foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

ii. Based on the weighted average number of outstanding ordinary shares of 744.9 million.

GI Financial Highlights

RMB million	1Q2019	1Q2018	YoY Chg
GI revenue	286.7	125.3	128.7%
GI revenue as % of Group	35.3%	20.2%	-
GI EBITDA	87.1	35.0	148.8%
GI EBITDA as % of Group	65.3%	83.4%	-

¹ 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 change and foreign exchange gains or losses of the Convertible Bonds and Warrants.

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'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 within their 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 and 1Q2019.

The natural expansion into GI is the right direction for the Group, and management intends to build up GI as Sunpower's value creator and growth driver which forms the bulk of its 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 sustained a strong growth pace in 1Q2019 by continuing to expand the long-term, recurring, high-quality income and cashflow GI business. Sunpower's customers in GI segment comprise industries such as printing & dyeing that cater mainly to the domestic China market and are able to sustainably generate robust cashflow. In addition, macro-economic conditions were supportive as China's GDP grew at an above-expectations 6.4% YoY in 1Q2019.

On a YoY basis, underlying net profit increased 30.7% to RMB60.5 million, driven by:

- (1) Strong ramp-up in utilisation of its 7 GI plants in 1Q2019 (vs 4 in 1Q2018), in particular Changrun and Lianshui Projects, and
- (2) Strong contributions from Yongxing Plant due to plant upgrades following its acquisition in 2018.

Group revenue grew 30.6% YoY to RMB811.6 million. GI revenue grew 128.7% YoY to RMB286.7 million. GI accounted for 35.3% of group revenue and 84.9% of the revenue increase of the Group. M&S revenue increased 5.8% YoY to RMB524.9 million with manufacturing capacity nearly fully utilised while M&S margins were broadly maintained on the back of the Group's proprietary technology and strong track record. Sunpower's M&S order book remained at approximately RMB2.5 billion.

Sunpower sustained its target of GI contributing ~50% of recurring income in 1Q2019. GI segment results grew 273.0% YoY to RMB54.0 million, accounting for 50.9% of the Group. GI EBITDA increased 148.8% YoY to RMB87.1 million or 65.3% of Group EBITDA.

GI also continued to uplift group cashflows in 1Q2019. Group underlying operating cash inflow² was RMB90.6 million in 1Q2019 compared to underlying operating cash outflow of RMB36.7 million in 1Q2018, mainly due to contributions from GI. And as GI projects are still ramping up, the net present value (NPV) of long-term GI cash flows is expected to considerably exceed the latest contributions.

GI business update

The acquired Yongxing Plant completed its major upgrades to achieve higher efficiency and lower operating cost, and this is expected to have positive economic results in the future. In addition, work is progressing smoothly on projects under construction, with Shantou to start trial production in the second half of 2019 and Xintai Zhengda to complete part of its facility by end-2019.

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
	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
	Yingtang 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 phase

(4) Including a couple of projects in the late stage of evaluation, which form part of the total pipeline of projects under evaluation valued at >RMB3.5 billion

² Excluding payment of interest and realised foreign exchange loss in relation to Convertible Bonds and Warrants

Outlook

According to a Reuters analysis, the average concentration of hazardous PM2.5 airborne dust particles in Beijing-Tianjin-Hebei and the Fenwei Plain rose 40% in February 2019 to hit 108 micrograms per cubic meter, far above China's official standard of 35 micrograms.³ There is still much to be done to meet the central government's pollution reduction targets and this will provide enormous opportunities for Sunpower. The Ministry of Ecology and Environment has also recently cracked down on Shandong provincial officials for missing air quality targets.⁴ Such top-level official backing and stringent enforcement will drive the long-term 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 of the upgraded Yongxing Plant which was acquired in Q3 2018, as well as electricity sales 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.
- Potential accretive M&A of GI plants that can contribute immediately to the top and bottom-line.
- Strong M&S order book of RMB2.5 billion and focus on higher quality orders to improve yield.

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

"Despite the Spring Festival holidays in the first quarter, Sunpower still grew significantly over the year before due to the strong ramp-up operations of our GI. The new growth drivers, namely our 7 operating GI plants, have allowed the Group to achieve record revenue and earnings as they cater to customers that supply to domestic market demand and able to generate rich cashflow. Besides GI, our M&S foundation business also did well by maintaining its stability.

In the long run, China aims for high-quality, sustainable economic growth in an environmentally-friendly way. With the new 2018-2020 Three-year Action Plan for Winning the Blue Sky War, smog governance policies now cover the whole of China. Sunpower can immediately tap into this expanded market and aim to invest in the highest-quality projects to create value for our shareholders.

For 2019 and beyond, we will wholeheartedly focus on building a sizeable and valuable portfolio of GI assets which generates long-term, recurring and high-quality cash flows. The positive results thus far have proven that GI is indeed the value creator and growth driver that forms the bulk of Sunpower's intrinsic value."

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³ <https://www.reuters.com/article/us-china-pollution/northern-china-pollution-soars-in-february-official-data-idUSKCN1QM0CP>

⁴ <https://www.scmp.com/news/china/politics/article/3007268/china-reprimands-officials-shandong-failing-meet-aluminium>

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, energy saving 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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