

Sunpower delivers an outstanding 53% YoY growth in underlying net profit ⁽ⁱ⁾ in 1H 2019

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

- **Underlying net profit⁽ⁱ⁾ rose 53% YoY in 1H 2019 to RMB111 million, positioning the Group well for 2019, driven by GI's strong ramp-up**
- **Strong growth in Green Investments (“GI”) segment**
 GI revenue grew 151% YoY to RMB532 million while EBITDA grew 209% YoY to RMB175 million
 Operating cashflow generated by GI projects rose 100% YoY to RMB121 million
 GI comprised 36% of group revenue, 65% of group EBITDA and 53% of segment results¹
 Quality of the Group’s earnings and cashflow significantly enhanced by GI’s long-term, recurring and high-quality contributions
- **Stable and resilient Manufacturing & Services (M&S) segment**
 M&S revenue was RMB939 million with profits maintained, while gross margin increased 1.2 pps² YoY due to focus on higher value-added contracts and holistic internal improvements
 Capacity remains nearly full with order book sustained at approximately RMB2.5 billion as at July 2019
- **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 August 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 six months to 30 June 2019 (“1H 2019”).

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

RMB million	1H 2019	1H 2018	YoY Chg
Revenue	1,470.6	1,219.6	20.6% ↑
Group EBITDA	269.5	145.4	85.4% ↑
Group EBITDA margin	18.3%	11.9%	6.4 pps ↑
Profit before income tax	147.9	67.7	118.3% ↑
Profit attributable to shareholders	111.0	58.2	90.6% ↑
Underlying net profit ⁽ⁱ⁾	111.0	72.5	53.2% ↑
Underlying EPS ⁽ⁱⁱ⁾ (RMB cents)	14.7	9.8	49.8% ↑

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 754.5 million.

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.

² “pps” – percentage points

GI Financial Highlights

RMB million	1H 2019	1H 2018	YoY Chg
GI revenue	531.7	211.6	151.3%
GI revenue as % of Group	36.2%	17.3%	18.9 pps
GI EBITDA	175.4	60.6	189.4%
GI EBITDA as % of Group	65.1%	41.7%	23.4 pps

Investment Highlights

Sunpower has been 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, in line with zoning policies.

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 building a sizeable GI portfolio 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 1H 2019.

The natural expansion into GI has proven 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.³

Financials

Sunpower maintained a robust growth rate in 1H 2019 as it continues to expand the long-term, recurring, high-quality income and cashflow GI business.

Group revenue grew 20.6% YoY to RMB1,470.6 million. GI revenue grew 151.3% YoY to RMB531.7 million. GI accounted for 36.2% of the Group’s revenue. M&S revenue was RMB939.0 million with manufacturing capacity nearly fully utilised and its order book sustained at approximately RMB2.5 billion as of July 2019.

³ Based on the company’s long-term discounted cashflow forecasts

Group underlying net profit increased 53.2% to RMB111.0 million on a YoY basis, primarily driven by strong contributions from Yongxing Plant and the continued ramp-up of its 7 operating GI plants.

Group EBITDA was RMB269.5 million in 1H 2019, representing an increase of 85.4% YOY. GI EBITDA increased 189.4% YoY to RMB175.4 million or 65.1% of Group EBITDA. GI segment results grew 701.5% YoY to RMB110.9 million, accounting for 53.3% of the Group. Sunpower sustained its target of GI contributing ~50% of recurring income in 1H 2019.

Group underlying operating cashflow⁴ was RMB151.0 million in 1H 2019, up 108.0% from RMB72.6 million in 1H 2018, mainly due to strong contributions from GI.

Operating cashflow generated by GI projects in 1H 2019 was RMB121.3 million, up 100.2% YoY despite the early stage. 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.⁵

GI business update

Sunpower's GI business supplies steam to diverse industries that include chemical, printing & dyeing, paper making, F&B, building materials, pharmacy, paint, wood processing, and chemical fertilizer etc.

Updates on the GI portfolio:

- Completed acquisition of 90% equity interest in **Changshu Suyuan Thermal Power**
- **Shantou Project Phase 1** is on track to start trial production in 2H 2019 and the Group is already planning to construct **Phase 2** to fulfil expected strong steam demand within the concession area
- Part of **Xintai Zhengda Project's** new facility to start trial production in 1H 2020
- **Yongxing Plant's** major upgrades have been completed to achieve higher efficiency and lower operating cost
- **Lianshui Project** has connected additional customers to its facility
- **Changrun Project** is on track to implement sludge incineration in its boilers

The Group has invested and committed approximately RMB1.6 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 the rigorous anti-smog environmental policies will continue to provide enormous business opportunities for its GI business.

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

⁴ Excluding payment of interest in relation to Convertible Bonds and Warrants

⁵ Based on the company's long-term discounted cashflow forecasts

	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
	Suyuan Plant	117.2	90%	1×90t/h+2×75t/h+1×B7MW
Sub-total	-	1,040.1	-	-
Under Construction	Shantou Project – phase 1	167.3	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	-	430.4	-	-
	Shantou Project – phase 2 ⁽³⁾	132.6	51%	2x260t/h+2x30MW
Amt Invested and Committed	-	1,603.1	-	-
To be Constructed ⁽⁴⁾	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
Sub-total	-	220.4	-	-
Pipeline ⁽⁵⁾	-	680.3	-	-
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) Plan to commence construction in 2H2019

(4) Projects are signed and in design phase

(5) 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

Outlook

Combating air pollution in China is receiving the highest-level official backing. President Xi is leading the fight to conserve the environment as one of the key priorities to rejuvenate China.⁶ On 30 July 2019, the Ministry of Ecology and Environment emphasized that combating air pollution still remains urgent and warned the governments of a number of cities of the rising concentration of PM2.5 fine particulate matter and ambient air quality composite index in their cities in 1H 2019. The Minister also warned that the government will use a quantitative assessment mechanism to hold cities accountable for air quality for their progress in meeting air quality improvement requirements.⁷

This 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, and this will continue to provide enormous growth opportunities for Sunpower.

Barring unforeseen circumstances, Sunpower is well placed to further solidify its market position as a centralised environmentally-clean provider of industrial steam. It expects to continuously improve earnings in quantity and quality by ramping up GI operations further and securing more earnings accretive projects. The Group expects the following business trends to benefit its growth in FY2019:

⁶ <https://www.scmp.com/news/china/politics/article/2185635/chinas-xi-jinping-goes-back-marx-and-classics-push-modern-green>

⁷ <http://huanbao.bjx.com.cn/news/20190731/996568.shtml>

- 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.
- Yongxing Plant, acquired in Q3 2018, is expected to contribute for the full year, particularly as its profitability has been enhanced by post-acquisition upgrades.
- Full year electricity sales by Changrun Project.
- Lianshui Project is expected to make further progress by adding new customers in 2H 2019.
- Start of trial production by Shantou Project Phase 1 in 2H 2019.
- Contributions from the newly-acquired Suyuan Plant.
- Potential accretive M&A of GI plants that can contribute immediately to the top and bottom-line.
- Strong M&S order book and focus on higher quality orders as well as holistic internal improvements to improve yield.

Mr. Guo Hongxin, Executive Chairman of Sunpower, commented:

“I am very pleased that Sunpower continued to grow substantially in 1H 2019. The strong and continuous ramp-up of our 7 operating GI plants has allowed us to again achieve significant growth in revenue, earnings and cashflow.

We are also pleased that we have recently completed acquisition of Changshu Suyuan Plant, a project that has good growth potential. We have carefully chosen to invest only in projects where our customers are able to draw on stable, bountiful sources of domestic market demand to generate rich cashflow. I also congratulate the teams at our M&S foundation business for their good work in maintaining a stable order book so that we are able to run at nearly full capacity, whilst improving profit margins.

For 2019 and beyond, we will continue to 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 which improves shareholders’ value in the long term.”

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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-



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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, Dow Inc, 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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