

Sunpower's underlying net profit² surged 56% YoY to a record high of RMB173.5 million in 1H 2020

Results Highlights

▪ Record-high revenue and profit despite pandemic

Sunpower's underlying net profit surged 56.3% YoY to a new high of RMB173.5 million in 1H 2020, as revenue rose 19.5% YoY to a new record of RMB1,756.9 million

Underlying operating cashflow was RMB161.2 million in 1H2020, above 1H2019's RMB151.0 million

Results that reached new record levels of performance have again demonstrated the superiority of Sunpower's M&S and GI business models in overcoming challenges

▪ GI maintained stable growth in contributions

GI EBITDA rose 6.8% YoY in 1H 2020 to RMB187.3 million despite the reduced operating hours caused by the pandemic, with EBITDA margin up 3.6 percentage points (pps) YoY to 36.6%

GI growth in 2020 will continue to be driven by ramp-up of existing plants, profit enhancement of acquired projects, and potential addition of more earnings-accretive GI projects

▪ M&S performed well in 1H 2020

M&S revenue rose 32.6% YoY to RMB1,245.5 million in 1H 2020, while segment results rose 77.2% YoY to RMB171.8 million

Order book sustained at RMB2.8 billion as at July 2020, up from RMB2.5 billion as at January 2020

Singapore, 12 August 2020 – 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 six months to 30 June 2020 (“1H 2020”).

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

RMB million	2Q 2020	YoY Chg	1H 2020	YoY Chg
Revenue	1,084.2	64.5%	1,756.9	19.5%
Group EBITDA	221.2	62.5%	352.5	30.8%
Group EBITDA margin	20.4%	-0.3pps	20.1%	1.7pps
Gross segment result ¹	190.5	87.3%	286.6	37.9%
Gross segment result margin	17.6%	2.1pps	16.3%	2.2pps
Profit before income tax	157.4	137.8%	224.1	51.6%
Underlying net profit²	122.5	142.6%	173.5	56.3%
Underlying net profit margin	11.3%	3.6pps	9.9%	2.3pps
Underlying EPS³ (RMB cents)	15.5	131.2%	21.9	49.0%

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 adjustments and foreign exchange gains or losses for the CBs and warrants.

² Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to equity holders (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.

³ Based on weighted average number of outstanding ordinary shares of 791.8 million in 1H 2020 and 754.5 million in 1H 2019.

Investment Thesis

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

Key drivers that fuel the opportunities for the Group’s GI segment are:

- The continuous closure of “high-emission” pollutive boilers and a structural shift to centralised “ultra-low emission” clean GI facilities,
- Stringent zoning policies that mandate the relocation of new factories into industrial parks, providing further growth impetus to GI, and
- Organic expansion of customers and industrial parks served by the GI plants.

GI projects deliver long-term, recurring and high-quality cashflow, due to:

- Strong market position as exclusive steam suppliers within coverage areas, with typically 30-year concessions,
- Captive customer base, as steam is a non-discretionary input product and customers can only buy from Sunpower’s GI projects, and
- Attractive double-digit internal rate of return (IRR), supported by strong tariff collection as GI projects are able to require prepayments by customers.

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

- Cutting-edge proprietary technologies, including the technology that helps Sunpower differentiate itself from competitors as well as reform and upgrade acquired plants to improve operational efficiency,
- Strong and proven execution capabilities, led by a professional management team that is sophisticated at identifying GI projects with investment potential, and optimizing project returns,
- Circular Economy zero-waste production model that lowers production costs by re-cycling, re-using and re-purposing of industrial waste products so that nothing is wasted,
- Early-mover advantage in building a sizeable GI portfolio that allows it to invest or acquire at attractive accretive valuations,
- Robust pipeline of attractive projects available for investment that is being actively evaluated,
- Strong balance sheet and supportive strategic institutional investors that believe in the investment merits of the GI business.

The natural expansion into GI has proven to be the right direction to take, and management intends to further 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 contributions in the latest reported period.⁴

8 Projects in Operation + 1 Project in Trial Production



⁴ Based on the company’s long-term discounted cashflow forecasts

Financials

Sunpower has bounced back from the temporary headwinds of the pandemic and achieved new records in revenue and profit in 1H 2020. The Group was able to catch up and demonstrated excellent management of the operational constraints caused by the pandemic. Group profit margins and operating cashflow were even above pre-pandemic levels.

In 1H 2020, revenue rose 19.5% YoY to RMB1,756.9 million, EBITDA increased 30.8% YoY to RMB352.5 million and underlying net profit surged 56.3% YoY to RMB173.5 million. EBITDA margin rose 1.7pps YoY to 20.1% while operating costs were efficiently managed, thus boosting underlying profit margin by 2.3pps YoY to 9.9%. Underlying operating cashflow improved to RMB161.2 million, above 1H 2019's RMB151.0 million.

GI plants resumed normal operations in 2Q 2020. As a result, GI EBITDA grew 37.3% QoQ to RMB108.4 million in 2Q 2020 after the economy reopened, and in 1H 2020, rose 6.8% YoY to RMB187.3 million. Profitability also improved as GI EBITDA margin increased 3.6pps YoY to 36.6% in 1H 2020, up from 30.5% in 1Q 2020 and 33.0% in 1H 2019 due to continuous improvement in operational efficiency and further cost control.

M&S revenue rose 32.6% YoY to RMB1,245.5 million in 1H 2020, while M&S segment results rose 77.2% YoY to RMB171.8 million. M&S order book sustained at RMB2.8 billion as at July 2020, up from RMB2.5 billion as at January 2020. The strong performance and record-high order book are attributable to the Group's market leadership, strong reputation, financial strength and its proven ability to execute and deliver.

Sunpower's M&S segment focuses on the high-end market and services a large base of reputable customers in diverse industries. To date, Sunpower has delivered products and solutions to ~1,500 customers and its reputable customers include Wanhua Chemical, Hengli Petrochemical, CNOOC, CNPC, SINOPEC, ExxonMobil, BASF, BP, Shell, etc. Moreover, ~70% of the Company's customer base are repeat customers, which is strong evidence of Sunpower's leadership in the industry and its strength as a top-tier supplier of environmental protection equipment and services.

1H 2020 has been one of the most challenging periods for the whole world. However, Sunpower has demonstrated that companies with internally-strong, resilient and adaptable business models are well positioned to overcome challenges.

GI Business Update

Sunpower's GI business supplies industrial steam to a wide range of diverse industries, such as chemical, printing & dyeing, paper making, F&B, building materials, pharmacy, paint, wood processing, chemical fertilisers, supported by structural demand. It also provides pollution-free civil heating to a large base of households and electricity to the State Grid.

Updates on the GI portfolio:

- **Tongshan Xuzhou Project:** Construction is underway and is expected to complete in 2021.
- **Xintai Zhengda's new plant:** Part of the plant was successfully completed and has started trial production.
- **Shantou Project:** Phase 1 is in trial production, and Phase 2 construction is on track to meet expected steam demand in the concession area.

The Group has invested and committed approximately RMB1.7 billion in project equity to build up its GI portfolio to-date, and is on track to make project equity investments of RMB2.5 billion by 2021.

Sunpower's Investments in GI to-date				
Status	Project	Project Equity (RMB'm) ⁽ⁱ⁾	Stake (%)	Production Capacity (no. of boilers x tons/hour of steam + no. of generators x megawatt/hour of electricity)
In operation	Changrun Project (Phase 1)	434.1	100%	2×220 t/h+2×25MW
	Yongxing Plant	306.0	100%	2×100t/h+1×150t/h + 2×18MW
	Xinyuan Plant	85.0	85%	3×75t/h+2×6MW 1×220t/h+1×25MW
	Suyuan Plant	117.2	90%	1×90t/h+2×75t/h +1×B7MW
	Lianshui Project	38.3	95%	2×40 t/h
	Quanjiao Project	49.2	100%	1×40 t/h
	Xintai Zhengda Plant (old facility) ⁽ⁱⁱ⁾	n/a	79.2%	n/a
	Jining Project	10.3	49%	n/a
In trial production	Shantou Project (Phase 1)	167.3	51%	3×150t/h+2×20MW
Sub-total		1,207.4		
Under construction	Xintai Zhengda Project (new facility) ⁽ⁱⁱ⁾	263.1	79.2%	3×130t/h+1×35MW +1×18MW
	Shantou Project (Phase 2)	132.6	51%	2x260t/h+2x30MW
	Tongshan Project (Phase 1) ⁽ⁱⁱⁱ⁾	107.1	85%	1×130t/h+1×35MW
Sub-total		502.8		
Amount invested and committed		1,710.2		
Others	Projects at design stage	220.4		
Pipeline^(iv)		573.2		
Total Target		2,503.8		

Notes: based on current estimates and forecast.

(i) Assuming ~40% equity/60% debt

(ii) Existing plant still in operation and will remain operational until the commissioning of the new plant

(iii) Assuming ~30% equity/ 70% debt

(iv) 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

Outlook

Sunpower has turned around from the temporary headwinds of the pandemic and is fulfilling the growth potential of its business.

China is the first major economy in the world to recover from the pandemic due to successful virus containment measures and supportive economic policies. 2Q 2020 GDP grew 3.2% from a year earlier⁵, following the recovery of various economic indicators, such as the Purchasing Managers Index (PMI)

⁵<https://www.scmp.com/economy/china-economy/article/3093371/china-gdp-economy-avoids-recession-second-quarter-growth-32>

which rose above 50% in March 2020 with the latest July data continuing to signal expansion⁶. According to Director Liu Aihua of the National Bureau of Statistics, this steady economic recovery has laid a solid foundation for continued recovery in the second half⁷. Economists at Oxford Economics⁸ currently expect China's GDP to grow 2.5% in 2020, while Caixin Research Institute⁹ forecasts 2.6-3.0% growth.

Through its counter-cyclical policies, the government is seeking continued growth as well as stability and employment. Two key public programs are (1) measures that stabilise enterprises and preserve employment as they support domestic demand¹⁰, and (2) greater investments in infrastructure, including industrial park infrastructure¹¹. Further, the government has provided assurances that efforts to protect the environment will be sustained. Premier Li Keqiang at the Third Session of the 13th National People's Congress on 22 May 2020 placed pollution control, part of the "three tough battles", on the list of the government's work priorities.¹²

Sunpower has built counter-cyclical businesses that can provide reliable financial and operating performance in the long term. Sunpower plans to continue to execute its strategy in 2020 in a way that amplifies its strengths in order to improve earnings in quantity and quality, namely by:

- Solidifying its market position as an environmentally-clean centralised provider of industrial steam, electricity and heating through continuous ramp-up of existing projects, as well as investments and acquisitions of new projects,
- Riding on opportunities arising from structurally-driven environmental protection and national development trends, such as the closure of small dirty boilers, relocation of factories into industrial parks and development of biomass heating, and
- Building on the stability of the M&S business, supported by advanced proprietary technologies, extensive expertise in energy-saving, energy-efficient environmental protection products and solutions.

Barring unforeseen circumstances, the Group expects the business trends summarized below to benefit its 2020 results. Please note that Sunpower's financial results should be viewed on a 12-month basis to arrive at a balanced perspective.

- **Additional drivers including:**
 - a) Full-year contributions from newly-acquired GI plants, and
 - b) Anticipated additional contributions from Shantou Phase 1 and Xintai Zhengda's new plant
- **Continued ramp-up of existing GI plants, driven by:**
 - a) Continuous connection of new customers following mandatory closures of small dirty boilers and/or mandatory relocation into industrial parks, and
 - b) Organic growth of customers and industrial parks served by the Group's GI plants.
- **Potential earnings-accretive M&A of brownfield GI plants.**
- **Resilient and solid M&S business with proven track record**

⁶ http://www.stats.gov.cn/tjsj/sjjd/202007/t20200731_1779872.html

⁷ <https://tech.sina.cn/2020-07-17/detail-iihvuiipn3448160.d.html?from=singlemessage&isappinstalled=0>

⁸ <https://edition.cnn.com/2020/07/15/economy/china-gdp-intl-hnk/index.html>

⁹ https://www.sohu.com/a/408033227_114984

¹⁰ http://www.gov.cn/xinwen/2020-05/06/content_5509313.htm

¹¹ http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/202004/t20200420_3501084.htm

¹² http://www.gov.cn/premier/2020-05/22/content_5513757.htm

- a) Order book sustained at a high of RMB2.8 billion as at July 2020
- b) Continuous improvement of profitability due to the enhancement of core competitive strengths
- c) Diversified base of high-end customers across the globe. ~70% are repeat customers
- d) Cutting-edge proprietary technologies and strong commercialisation capabilities
- e) Ability to acquire quality orders, benefiting from its industry leadership, extensive experience and seasoned management team
- f) Market reputation and brand awareness

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

“We are very pleased with the excellent performance of the Group’s businesses. It proves that we have risen to the occasion and weathered the temporary headwinds of the pandemic well in 1H 2020. We were able to achieve a record level of revenue and profits despite the operational constraints of the first quarter. This demonstrated that companies with internally-strong, resilient and adaptable business models are well-positioned to overcome and even thrive in a challenging environment.

Going forward, the Company is well-armed with a natural business resilience through our well-managed businesses and proven expansion strategy; sustainable demand for our anti-air pollution environmental protection services; the advantages of market leadership, financial strength and proprietary technologies; a diversified base of reputable customers; and a proven corporate governance record.

For the rest of 2020 and beyond, we will press forward with our GI expansion strategy and be on the alert for opportunities to utilise our Group’s financial strength, strong cash flow and balance sheet to our advantage.”

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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, 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 Wanhua Chemical, Hengli Petrochemical, CNOOC, CNPC, SINOPEC, ExxonMobil, BASF, BP, Shell, etc.

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

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