

## Sunpower's underlying net profit powered 47% higher YoY to record high of RMB278.7 million in 9M 2020

### Results Highlights

- **Broke out to new records on all fronts**

*Sunpower was able to execute its long-term expansion strategy well and deliver outstanding results in 9M 2020*

*Underlying net profit increased 46.8% YoY to RMB278.7 million in 9M 2020; revenue rose 18.2% YoY to RMB2,658.0 million*

*Underlying operating cashflow remained strong at RMB157.6 million in 9M 2020<sup>1</sup>*

- **GI business continued upward march**

*GI revenue increased 7.1% YoY to RMB830.9 million in 9M 2020*

*GI EBITDA rose 14.0% YoY to RMB303.8 million in 9M 2020*

*GI growth is expected to 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 maintained uptrend**

*M&S revenue rose 24.1% YoY to RMB1,827.1 million in 9M 2020*

*Order book sustained at RMB2.8 billion as at end-September 2020*

Singapore, 12 November 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 nine months to 30 September 2020 (“9M 2020”).

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

RMB million	9M 2020	9M 2019	YoY Chg	3Q 2020	3Q 2019	YoY Chg
<b>Revenue</b>	<b>2,658.0</b>	<b>2,248.4</b>	<b>↑ 18.2%</b>	<b>901.1</b>	<b>777.8</b>	<b>↑ 15.9%</b>
Group gross profit	664.5	540.5	↑ 22.9%	253.6	197.3	↑ 28.5%
Group EBITDA	555.5	434.1	↑ 28.0%	203.0	164.6	↑ 23.3%
Profit before income tax	365.4	247.2	↑ 47.8%	141.3	99.3	↑ 42.2%
Profit for the period <sup>2</sup>	287.2	193.7	↑ 48.3%	110.2	77.3	↑ 42.5%
<b>Underlying net profit<sup>3</sup></b>	<b>278.7</b>	<b>189.9</b>	<b>↑ 46.8%</b>	<b>105.2</b>	<b>78.8</b>	<b>↑ 33.4%</b>
<b>Underlying EPS<sup>4</sup> (RMB cents)</b>	<b>35.2</b>	<b>24.7</b>	<b>↑ 42.4%</b>	<b>13.3</b>	<b>10.3</b>	<b>↑ 29.4%</b>

<sup>1</sup> Underlying operating cash flow adjusting for CB interest of RMB22.7 million.

<sup>2</sup> Profit after income tax and before non-controlling interest.

<sup>3</sup> 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.

<sup>4</sup> Based on weighted average number of outstanding ordinary shares of 791.8 million in 9M 2020 and 768.2 million in 9M 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
- Attractive double-digit internal rate of return (IRR), supported by strong tariff collection.

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

- Cutting-edge technologies that help 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,
- 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 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.<sup>5</sup>

## 9 Projects in Operation and Trial Production



<sup>5</sup> Based on the company’s long-term discounted cashflow forecasts

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## Financials

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Despite a challenging year, Sunpower has delivered strong results in 9M 2020, with double-digit YoY growth in revenue and profits. The Group amply demonstrated that companies with reliable and adaptable business models, disciplined management and strong execution capabilities are well positioned to overcome challenges.

**Group results:** In 9M 2020, group revenue rose 18.2% YoY to RMB2,658.0 million, group EBITDA increased 28.0% YoY to RMB555.5 million and group underlying net profit was up 46.8% YoY to RMB278.7 million. Underlying operating cashflow remained strong at RMB157.6 million.

**GI segment:** GI plants operated normally in 3Q 2020. As a result, revenue in 9M 2020 rose 7.1% YoY to RMB830.9 million following a 30.8% jump to RMB319.5 million in 3Q 2020. EBITDA in 9M 2020 grew 14.0% YoY to RMB303.8 million. GI as the primary value creator and growth driver continues to provide long-term, recurring and high quality income and cashflows for the Company.

**M&S segment:** Revenue rose 24.1% YoY to RMB1,827.1 million in 9M 2020, while segment results rose to RMB257.7 million. The order book was RMB2.8 billion as at end-September 2020, compared to RMB2.5 billion as at January 2020. The M&S segment is an established business that provides reliable performance. It has a diversified product mix with a focus on the high-end market, and it serves a large and diverse base of reputable companies, of which 70% are repeat customers.

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## GI Business Update

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Sunpower's GI business supplies industrial steam to a diverse range of 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.

### Update on Shanxi Xinjiang Project:

Construction has started on Shanxi Xinjiang Project, a GI project previously in the design stage. The latest approved designed capacity is 3x130t/h of steam + 1xC15MW + 1xC25MW of electricity, with 1x130t/h of steam and 1xC15MW of electricity to be installed in Phase 1. This GI project is located in the Xinjiang Circular Economy Demonstration Park in Xinjiang County of Yuncheng City, Shanxi Province (the "Park"), an provincial-level industry park with an established complete upstream and downstream value chain. Industries such as high-end equipment manufacturing, new materials, fine chemicals and dyes are already concentrated in the park, and will provide a ready pool of steam demand for Shanxi Xinjiang Project when it is completed.

Operated under the concept of the circular economy, the Park already has centralized utilities infrastructure in place, including a water treatment facility. Moreover, Shanxi Province is the largest source of natural fuel resources in China, which will enable Shanxi Xinjiang Project to have access to fuel supply in close proximity. Sunpower will deploy its technologies and solutions in the construction of Shanxi Xinjiang Project. The Group will provide further updates as and when appropriate.

### Updates on other GI projects:

- **Tongshan Xuzhou Project:** Construction of Phase 1 is underway and is expected to complete in 2021.
- **Xintai Zhengda's new plant:** Part of the plant was successfully completed and is in trial production, while construction of the remaining part is underway.

- **Shantou Project:** Phase 1 is ramping up, while Phase 2 construction is progressing smoothly.

To date, the Group has invested and committed approximately RMB1.87 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) <sup>(i)</sup>	Stake (%)	Production Capacity (no. of boilers x tons/hour of steam + no. of generators x megawatt/hour of electricity)
In operation & trial production	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) <sup>(ii)</sup>	n/a	86.5%	n/a
	Jining Project	10.3	49%	n/a
	Shantou Project (Phase 1)	167.3	51%	3×150t/h+2×20MW
<b>Sub-total</b>		<b>1,207.4</b>		
Under construction	Xintai Zhengda Project (new facility) <sup>(ii)</sup>	287.1	86.5%	3×130t/h+1×35MW +1×18MW
	Shantou Project (Phase 2)	132.6	51%	2x260t/h+2x30MW
	Tongshan Project (Phase 1) <sup>(iii)</sup>	107.1	85%	1×130t/h+1×35MW
	Shanxi Xinjiang Project (Phase 1)	131.2	100%	1×130t/h+1×C15MW
<b>Sub-total</b>		<b>658.0</b>		
<b>Amount invested and committed</b>		<b>1,865.4</b>		
<b>Others</b>	Projects at design stage	<b>116.4</b>		
<b>Pipeline<sup>(iv)</sup></b>		<b>522.0</b>		
<b>Total Target</b>		<b>2,503.8</b>		

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

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## Outlook

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The pandemic remains under firm control in China and this will allow the economy to benefit from the easy movement of people and goods. China's economy grew faster in 3Q 2020 with GDP up 4.9% YoY, sequentially strengthening from a 3.2% YoY growth rate in 2Q 2020.<sup>6</sup> Economists at the World Bank are now forecasting that China's GDP will grow 2% in 2020 and 7.9% in 2021<sup>7</sup> while Zhixin Investment Research Institute was more optimistic on 2021 with a growth forecast range of 8-10%.<sup>8</sup>

Recently, China proposed major social and economic development targets for the 14<sup>th</sup> Five-Year Plan ("14FYP") in 2021-2025. During this period, China aims to realize sustained high-quality economic advancement by tapping into the potential of its domestic markets and by strengthening its innovation capacity, among other measures. Protection of the environment is a key part of the 14FYP as China aims to make new progress in building an ecological civilization.<sup>9</sup>

For 2020, Sunpower has proven its capabilities to execute and deliver, and continues to execute its strategy 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,
- By riding on opportunities arising from structurally-driven environmental protection and national development trends, such as the mandatory closure of small dirty boilers, increasing concentration and relocation of factories into industrial parks, and
- The M&S business's proven track record, which is supported by advanced technologies, a large and diversified customer base, and experienced management.

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
- **M&S business with proven track record**
  - a) Order book of RMB2.8 billion
  - b) Diversified base of customers across the globe. ~70% are repeat customers
  - c) Advanced technologies and extensive experience

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<sup>6</sup> <https://news.cgtn.com/news/2020-10-19/China-s-GDP-expands-4-9-in-Q3-UI1qzuOQhy/index.html>

<sup>7</sup> <https://www.china-briefing.com/news/world-bank-october-2020-report-says-china-economy-to-grow-by-7-9-in-2021/#:~:text=%E2%80%9CWhile%20China%20is%20forecast%20to,percent%2C%E2%80%9D%20the%20report%20read.>

<sup>8</sup> <https://www.globaltimes.cn/content/1202492.shtml>

<sup>9</sup> <http://enapp.chinadaily.com.cn/a/202010/29/AP5f9ab6d7a310b0a661bf3572.html>

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

“The first nine months of 2020 were a challenging time for everyone but Sunpower conquered many challenges and demonstrated that companies with reliable and adaptable business models as well as strong execution capabilities are well-positioned to overcome and even thrive in a challenging environment. For the rest of 2020 and beyond, we will continue to take full advantage of our strengths and press forward with our strategy. GI is our growth driver and value creator, and we are on track to build a sizeable GI portfolio in the years ahead with the target to invest RMB2.5 billion in GI project equity by 2021.”

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***Forward-looking Statement***

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*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.*

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**About Sunpower Group Limited**

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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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