

## Sunpower records 46.9% YoY growth in underlying net profit<sup>(i)</sup> in 9M 2019

### Results Highlights

- **Underlying net profit rose 46.9% YoY in 9M 2019 to RMB189.9 million, driven by the resilient performance of M&S and GI businesses**
- **Continued strong growth in Green Investments (“GI”) segment in 9M 2019**  
*GI revenue grew 85.2% YoY to RMB775.9 million while EBITDA grew 71.6% YoY to RMB266.6 million*  
*Operating cashflow generated by GI projects rose 11.2% YoY to RMB176.3 million*  
*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 RMB1,472.5 million and profits improved through the enhancement of core competitive strengths, secured by technological innovations and strong market reputation*  
*Order book remained strong and sustained at RMB2.5 billion as at October 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 November 2019 – 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 first nine months to 30 September 2019 (“9M 2019”).

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

RMB million	9M 2019	9M 2018	YoY Chg
Revenue	2,248.4	1,983.3	13.4% ↑
Group EBITDA	434.1	269.7	60.9% ↑
Group EBITDA margin	19.3%	13.6%	5.7pps ↑
Profit before income tax	247.2	147.2	67.9% ↑
Profit attributable to shareholders	189.9	115.0	65.1% ↑
<b>Underlying net profit<sup>(i)</sup></b>	<b>189.9</b>	<b>129.2</b>	<b>46.9% ↑</b>
<b>Underlying EPS<sup>(ii)</sup> (RMB cents)</b>	<b>24.7</b>	<b>17.5</b>	<b>41.1% ↑</b>

- 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 no. of outstanding ordinary shares of 768.2 million in 2019 and 737.7 million in 2018.

## Investment Thesis

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 continued 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, due to:

- Exclusivity as steam suppliers within their 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 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.<sup>1</sup>



## Financials

Sunpower reported a strong financial performance in 9M2019, characterised by sustained levels of profit and profitability and robust rates of growth. It has continued to expand the long-term, recurring, high-quality income and cashflow GI business and reaped the benefits of continuous enhancement of the core competitive strengths of the M&S business.

<sup>1</sup> Based on the company's long-term discounted cashflow forecasts

Group revenue increased 13.4% YoY to RMB2,248.4 million, group EBITDA increased 60.9% YoY to RMB434.1 million and underlying net profit increased 46.9% YoY to RMB189.9 million while underlying operating cash flow was a strong RMB232.7 million.

GI revenue increased 85.2% YoY to RMB775.9 million and EBITDA increased by 71.6% YoY to RMB266.6 million. Sunpower has maintained its target of ~50% of income coming from the recurring GI business.

GI benefited from:

- Ramp-up in utilisation by its GI plants,
- Excellent performance of Yongxing Plant due to post-acquisition plant upgrades, and
- Contributions from the recently-acquired Suyuan Plant.

M&S revenue was RMB1,472.5 million. M&S gross profit was improved by successfully enhancing core competitive strengths, secured by innovative proprietary technologies, solid track record and strong market reputation. The order book was sustained at approximately RMB2.5 billion as of October 2019.

Operating cashflow generated by GI projects increased 11.2% YoY to RMB176.3 million. 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.<sup>2</sup>

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## GI Business Update

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

### Updates on the GI portfolio:

- **Suyuan Plant** has started to implement plant upgrades in 4Q 2019, and is well positioned for an expected demand surge in 2020 following the mandatory closure of small dirty coal boilers in its coverage area.
- **Shantou Project Phase 1** to start trial production before the end of 2019, and the Group has already kicked off to construct **Phase 2** to fulfil expected strong steam demand within the concession area.
- Part of **Xintai Zhengda Project's** new facility is nearing completion, and is expected to launch trial production in 1H 2020.
- **Yongxing Plant's** major upgrades have been completed to achieve higher operational efficiency
- **Quanjiao Projects** have connected additional customers to their facilities.
- **Changrun Project** is on track to implement sludge incineration in its boilers by end-2019.

The Group has invested and committed equity investments of approximately RMB1.6 billion to build up its GI portfolio to-date, and is on track to make equity investments of RMB2.5 billion by 2021. The Group believes that the rigorous anti-smog environmental policies will continue to provide enormous business opportunities for its GI business.

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<sup>2</sup> Based on the company's long-term discounted cashflow forecasts

Update on Investments in GI to-date				
Status	Project	Project Equity (RMB'm) <sup>(1)</sup>	Stake (%)	Design 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
	Suyuan Plant	117.2	90%	1×90t/h+2×75t/h+1×B7 MW
<b>Sub-total</b>		<b>1,040.1</b>		
Under Construction	Shantou Project – phase 1	167.3	51%	3×150t/h+2×20MW
	Xintai Zhengda Project (new facility) <sup>(3)</sup>	263.1	79.2%	3×130t/h+1×35MW+1×18MW
<b>Sub-total</b>		<b>430.4</b>		
Plan to construct	Shantou Project – phase 2 <sup>(2)</sup>	132.6	51%	2x260t/h+2x30MW
<b>Amt Invested and Committed</b>		<b>1,603.1</b>		
To be Constructed <sup>(4)</sup>	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
<b>Sub-total</b>		<b>220.4</b>		
<b>Pipeline <sup>(5)</sup></b>		<b>680.3</b>		
<b>Total</b>		<b>2,503.8</b>		

Notes: based on current estimates and forecast.

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

(2) Expected to kick off construction in 2019

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

(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 is receiving the highest-level official backing and is seeing stringent enforcement. Ahead of the UN Climate Action Summit in September 2019, the China Ministry of Ecology and Environment (MEE) released a “Position and Action” statement which iterated the importance of addressing climate change and emphasized that “China continues the campaign to prevent and control air pollution and make the skies blue again”.<sup>3</sup> In October 2019, 16 government bodies, including MEE, National Development and Reform Commission and the provincial governments of Beijing, Tianjin, Hebei, Shanxi, Shandong and Henan released an action plan to improve air quality, targeting a 4% YoY drop in the average density of PM2.5 particulate matter from 1 October 2019 to 31 March 2020.<sup>4</sup>

<sup>3</sup> [http://english.mee.gov.cn/News\\_service/news\\_release/201909/t20190917\\_734051.shtml](http://english.mee.gov.cn/News_service/news_release/201909/t20190917_734051.shtml)

<sup>4</sup> [http://www.bjreview.com/Nation/201910/t20191017\\_800181944.html](http://www.bjreview.com/Nation/201910/t20191017_800181944.html)

Such strong national leadership and strict 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, 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.

**Sunpower's results should be viewed on a 12-month basis to arrive at a balanced perspective. The Group expects the following business trends to benefit its growth in FY2019:**

- The continued ramp-up of 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 with its profitability enhanced by post-acquisition upgrades.
- Contributions from Suyuan Plant, acquired in 3Q 2019. Greater upside expected in 2020 due to comprehensive plant upgrades and the anticipated shutdown of small "dirty" boilers in its coverage area.
- Start of trial production by Shantou Project Phase 1 by end-2019.
- Changrun Project to record full-year contributions from electricity sales.
- Potential accretive M&A of GI plants that can contribute immediately to the top and bottom-line.
- Strong M&S order book and sustained focus on enhancement of core competitive strengths to improve yield.

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

"Sunpower's resilient GI and M&S businesses have together propelled Sunpower to another record performance in 9M 2019.

"Our GI project portfolio now has 8 income and cashflow-generating plants with the recent acquisition of Changshu Suyuan, a plant with good long-term potential following implementation of upgrades due to its proximity to stable, bountiful domestic market demand and clear growth visibility ahead. For 2019 and beyond, we will continue to focus on building a sizable 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 the right strategic direction for the Group."

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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 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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