

## Sunpower outperformed with 32% growth in underlying net profit<sup>(i)</sup> to RMB352.2 million in FY2019

### Results Highlights

#### ▪ Outstanding results

*Group revenue and underlying net profit reached another record high of RMB3.6 billion and RMB352.2 million, respectively.*

*Group underlying operating cashflow rose 87.8% YoY to RMB463.1 million.*

*Quality of earnings and cashflow significantly enhanced by GI's long-term, recurring and high-quality contributions and further improvement of M&S profitability.*

#### ▪ Green Investments (“GI”) and Manufacturing & Services (M&S) segments outperformed

*GI revenue grew 56.8% YoY to RMB1,155.3 million while EBITDA increased 56.7% YoY to RMB432.9 million.*

*GI projects' operating cashflow increased 18.8% YoY to a robust RMB251.6 million.*

*M&S profits and cashflow further improved, and order book was sustained at a robust RMB2.5 billion as at January 2020.*

#### ▪ A future filled with potential ahead

*Continued ramp-up of operational GI plants, profit enhancement of acquired projects, expected commercial production of Shantou Phase 1, anticipated trial production of Xintai Zhengda's new plant, as well as potential addition of more earnings-accretive new projects.*

Singapore, 27 February 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 financial year to 31 December 2019 (“2019”).

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

RMB million	FY2019	FY2018	YoY Chg
Revenue	3,604.6	3,262.9	10.5% ↑
Group EBITDA	706.6	496.0	42.5% ↑
Group EBITDA margin	19.6%	15.2%	4.4pps ↑
Profit before income tax	454.2	327.7	38.6% ↑
Profit attributable to shareholders	352.2	253.6	38.9% ↑
<b>Underlying net profit<sup>(i)</sup></b>	<b>352.2</b>	<b>267.8</b>	<b>31.5% ↑</b>
<b>Underlying EPS<sup>(ii)</sup> (RMB cents)</b>	<b>45.1</b>	<b>35.0</b>	<b>28.9% ↑</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 number of outstanding ordinary shares of 781.3 million in 2019 and 765.4 million in 2018.

## 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 available for the Group’s GI segment are:

- The continuous closure of “high-emission” pollutive fossil fuel 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 within the industrial park that GI projects are located.

### 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 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:

- Early-mover advantage in building a sizeable GI portfolio that allows it to invest or acquire at attractive accretive valuations,
- Robust balance sheet and supportive strategic institutional investors that believe in the investment merits of the GI business,
- Cutting-edge proprietary technologies, including the technology that helps Sunpower to reform and upgrade acquired plants to improve operation efficiency,
- Strong and proven execution capabilities, led by a professional management team that is sophisticated at identifying GI projects with potential to invest in and managing projects.

The natural expansion into GI has proven to be the right direction, 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>1</sup>

### 8 Projects in Operation + 1 Project in Trial Production



<sup>1</sup> Based on the company’s long-term discounted cashflow forecasts. Latest reported period refers to the financial year ended 31 December 2019.

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## Financials

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Sunpower achieved another record level of high-quality financial performance in 2019, as sustained revenue growth and margin expansion enabled another year of strong growth in underlying profit and positive cashflow generation.

Group revenue increased 10.5% YoY to RMB3,604.6 million, group EBITDA increased 42.5% YoY to RMB706.6 million and underlying net profit increased 31.5% YoY to RMB352.2 million while underlying operating cash flow increased 87.8% YoY to RMB463.1 million. Group EBITDA margin rose 4.4 percentage points YoY to 19.6% as the profitability of both business segments improved.

Sunpower has met its target of ~50% of income from the recurring GI business for two consecutive years now. GI revenue increased 56.8% YoY to RMB1,155.3 million and GI EBITDA increased 56.7% YoY to RMB432.9 million, while operating cashflow from GI projects increased 18.8% YoY to a robust RMB251.6 million. As GI projects are still ramping up, the net present value (NPV) of their long-term cash flows is expected to considerably exceed their contributions in the latest reported period.<sup>2</sup>

The GI project portfolio performed at a high level in 2019 due to the continued ramp-up of operational projects, portfolio expansion and enhancement initiatives on acquired projects.

M&S achieved revenue of RMB2,449.3 million while profitability was further and substantially improved through the continuous enhancement of core competitive strengths, secured by the Group's technological innovations and sophisticated management. Focusing on the high-end market and servicing reputable customers, Sunpower has delivered superior quality products and solutions to ~1,500 customers in >15 industries across 30 countries to date. Sunpower's large base of reputable customers includes BASF, BP, Shell, CNOOC, CNPC, SINOPEC, Wanhua and Hengli Petrochemical and ~70% of its customer base are repeat customers. The M&S order book was sustained at approximately RMB2.5 billion as at January 2020, despite a high level of production and delivery of orders in 2019. This is a strong testament to Sunpower's leadership in the market and its strength as a top-tier supplier of environmental protection equipment and services.

Sunpower's reliable and adaptable business model and strong execution capabilities have again been proven in 2019. It has just started to reap the rewards of its expansion into the long-term, recurring, high-quality income and cashflow GI business as well as the continuous enhancement of the core competitive strengths of the M&S business.

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## GI Business Update

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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 fertilizers, supported by structural demand. Additionally, it also provides pollution-free civil heating to a large base of households as well as electricity to the State Grid.

### Updates on the GI portfolio:

- **Tongshan Xuzhou Project ("Tongshan Project"):** Announced the plan to invest in a biomass cogeneration project in Xuzhou City, Jiangsu Province, to supply heating and electricity.

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<sup>2</sup> Based on the company's long-term discounted cashflow forecasts. Latest reported period refers to the financial year ended 31 December 2019.

- **Shantou Project:** Phase 1 has started trial production in 2019, and Phase 2 is under construction to meet expected strong steam demand in the concession area.
- **Xintai Zhengda's new plant:** Major part is nearing completion and is expected to start trial production in 1H 2020.

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) <sup>(1)</sup>	Stake (%)	Design Capacity
<b>In operation</b>	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×B7MW
<b>In trial production</b>	Shantou Project (Phase 1)	167.3	51%	3×150t/h+2×20MW
<b>Sub-total</b>		<b>1,207.4</b>		
<b>Under construction</b>	Xintai Zhengda Project (new facility) <sup>(2)</sup>	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) <sup>(3)</sup>	107.1	85%	1×130t/h+1×35MW
<b>Sub-total</b>		<b>502.8</b>		
<b>Amount invested and committed</b>		<b>1,710.2</b>		
<b>Others</b>	3 projects at design stage	<b>220.4</b>		
<b>Pipeline<sup>(4)</sup></b>		<b>573.2</b>		
<b>Total Target</b>		<b>2,503.8</b>		

Notes: based on current estimates and forecast.

<sup>(1)</sup> Assuming ~40% equity/60% debt

<sup>(2)</sup> Existing plant still in operation and will remain operational until the commissioning of the new plant

<sup>(3)</sup> Assuming ~30% equity/ 70% debt

<sup>(4)</sup> 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

Sunpower has kicked off 2020 on a strong note with the decision to invest in Tongshan Project, a major new RMB420 million investment in a biomass cogeneration plant that will supply civil heating to households and electricity to the State Grid. Used as a natural gas replacement, biomass as a fuel source to supply heating will help the local government to address people's livelihood issues while alleviating the cost of heating subsidies. Additionally, Tongshan Project will reduce environmental pollution and

simultaneously realise energy conservation through the combustion of local agricultural waste. As such, Sunpower's investment in Tongshan is fully aligned with China's national development policies<sup>3</sup> and is expected to gain strong support from the local government.

Sunpower will continue to execute its business in 2020 in a way that amplifies its strengths in order to improve earnings in quantity and quality, namely by:

- Further 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,
- Taking full advantage of opportunities arising from structurally-driven environmental protection and national development trends, such as the closure of small dirty coal boilers, relocation of factories into industrial parks and development of biomass heating.

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

- **New revenue drivers, including:**
  - a) Full-year contributions from newly-acquired GI plants that are well-positioned to capture new demand following mandatory closures of nearby small dirty boilers, and
  - b) Anticipated additional contributions from Shantou Phase 1 and Xintai Zhengda's new plant, as Shantou Phase 1 is already in trial production and a major part of Xintai Zhengda's new plant is expected to launch trial production in 1H 2020.
- **Continued ramp-up of existing GI projects, 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 existing 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**
  - a) Sustained order book of RMB2.5 billion as at January 2020
  - b) Cutting-edge proprietary technologies and strong commercialization capabilities
  - c) Diversified base of high-end customers across the globe. 70% are repeat customers
  - d) Enhanced competitive advantages such as industry leadership, extensive experience and seasoned management
  - e) Market reputation and brand awareness

As for the coronavirus, President Xi Jinping on 13 February 2020 pledged that China will definitely be able to minimise the impact of the outbreak, maintain the development momentum of the economy and strive to achieve 2020's development targets.<sup>4</sup> The Group is managing the situation in line with the guidelines of the local governments where its operations are located to gradually regain stable, orderly production.

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

“Our resilient GI and M&S businesses have propelled Sunpower to another record year. We are very pleased with the outperformance of the GI business in 2019 which improved both the quantity and

<sup>3</sup> For details, please refer to the Group's Announcement of Tongshan Project on 20 February 2020.

<sup>4</sup> <https://www.channelnewsasia.com/news/asia/xi-jinping-china-coronavirus-covid-19-impact-mahathir-mohamad-12434234>

quality of the Group's earnings. The positive results thus far have proven that GI is the right strategic direction for Sunpower.

As at end-2019, our GI portfolio numbered 8 plants with the acquisition in 3Q19 of Changshu Suyuan, a plant with good long-term potential due to its proximity to stable, bountiful domestic market demand and clear growth visibility ahead, as well as 1 plant in trial production. We have also just announced Tongshan Project, another step on our journey to build a sizeable and valuable portfolio of GI assets which generates long-term, recurring and high-quality cash flows.

As a large economically-strong country, China has the resources and resolve to effectively meet the challenge of the coronavirus. Similarly, Sunpower is supported by our innovative technologies, a diversified, resilient customer base and a record order book, as well as armed with the solid expansion strategy of GI and the market leadership of M&S. We are well prepared to weather these temporary headwinds.”

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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>

<b>Winnie Lyu</b>	<b>Gregory Yap</b>
Email: <a href="mailto:ir@sunpower.com.cn">ir@sunpower.com.cn</a>	Email: <a href="mailto:ir@sunpower.com.cn">ir@sunpower.com.cn</a>
Phone: +86 25 5216 9718	Phone: +65 9889 5054

<b>August Consulting (Singapore)</b>	
<b>Silvia Heng</b>	<b>Jeremy Sing</b>
Email: <a href="mailto:silviaheng@august.com.sg">silviaheng@august.com.sg</a>	Email: <a href="mailto:jeremysing@august.com.sg">jeremysing@august.com.sg</a>
Phone: +65 6733 8873	Phone: +65 6733 8873



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