

SUNPOWER - Its (price) destiny is in your hands.

18 November 2011

Exchange Singapore Stock Exchange
Sector Chem Engineering
Reuters SUNP.SI
Bloomberg SPWG: SP
POEMS SPW.SG

SELL

Yesterday's Closing Price **S\$0.230**
Target Price S\$0.180 (-22%)
Fair Value S\$0.400 (+74%)

Price

Last Price	0.230
52wk High	0.570
52wk Low	0.195
Shares Outstanding (mil)	329.0
Market Cap (S\$ mil)	75.7
Avg. Daily Turnover 6 months (mil)	0.327
Free float (%)	27.6%
PE (X) FY2011F	4.01
PB (X) FY2011F	0.80

Price performance

	1M	3M	6M
Absolute %	-4.2%	-6.2%	-41.0%
Relative %	-2.2%	-7.0%	-52.6%



Despite its good performance since IPO: PATMI of RMB19m ('05), RMB36m ('06), RMB33m ('07), RMB40m ('08), RMB64m ('09), RMB86m ('10), and RMB95m forecast ('11); its share price has gone nowhere. IPOed at 22¢ on 16 Mar 2005 it is only 23¢ today. The dividend it paid out might have covered your brokerage. Meanwhile, the STI has moved from 2,169 to 2,778, a gain of 28%.

If you had put \$1000 in a riskless savings account that is now paying 0.22% p.a., your \$1000 has become \$1020. It certainly outperformed investing in **Sunpower**, counting risk.

In the stock market, sometimes, the good reputation of its management, the reputation of its products, the reputation of its customers, and the continuous (almost always, increasing) profits - count for nothing - as is the case of **Sunpower**. So, why should I continue to tell you its fundamentals?

Its management team, which owns more than 60% of the company, must be very patient people. They still believe in doing their job and letting the market do the voting. We give them credit for an excellent job done all these years after IPO.

However, apart from its first dividend pay-out following last year's result, management has not done more to enhance shareholder value.

Its price is 4.0 X trailing earnings. If **Sunpower** were listed in Shanghai, it would be trading at 40 X P/E. Why not consider a delisting and re-listing somewhere else with a higher P/E?

At 0.80 X book, certainly it is below intrinsic value. If it is below intrinsic value, the company could and should buy back its shares.

If the company is not doing anything to enhance shareholder value, then perhaps minority shareholders can do something (which we detail on page).

On its PV calculation of RMB1,686m (page 2 & 3) discounted by - if we assume **Sunpower** continues its behaviour (page 3) going forward, we lose 36%; if it were listed somewhere else like Taiwan, there would be a difference of another 34%, judging by another S-chip's performance (*Hu An Cable*); and, if we assume forex loss of RMB vs SGD before current ECB crisis of 6.88% - a total of 39.3%, **Sunpower** should be fairly valued at **SG40¢** a share.

However, as we are entering the next phase of market downturn into late January, a downturn likely to be centred on European troubles and Occupy Wall Street, we set a target before our next report (likely in mid-January) to buy **Sunpower** between 18¢ and 19½¢. As 18¢ is 22% below yesterday's 23¢, it is technically a **SELL** recommendation.

If you are still interested in the good set of fundamentals, please proceed to page 2.

Major Shareholders		%
1	Guo Hongxin	23.19
2	Li Laisuo	21.00
3	Ma Ming	17.36

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Conso Ending	PATMI RMBm	EPS RMBf	DPS* SG¢	BV RMBf	ROE (%)	P/E# (X)	Yield* (%)	P/BV# (x)
12/10 A	86.6	26.3	-	116.1	22.7%	7.1	-	1.6
12/11 F	94.4	28.7	0.3	143.2	20.0%	4.0	0.8%	0.8
12/12 F	98.3	29.9	NA	171.6	17.4%	3.9	NA	0.7
12/13 F	150.2	45.7	NA	217.3	21.0%	2.5	NA	0.5

* upon ex-date #forex at actual or RMB5=SGD1

Result, and Revising Forecast

The fluctuating *gross profit margin* came to 22.2% in 3Q11 as a result of the lower-margin **Heat Exchangers and Pressure Vessels** making up almost 74% of *revenue*. This high proportion in 1Q11 at 78% of *revenue* also resulted in the 22.3% *margin* then. In the last 7 quarters, the highest two *gross profit margin* of 30.7% and 29.9% were achieved when this segment constituted 51.5% and 57% respectively of *revenue*.

We are revising our *gross profit margin* for 4Q11 from 25.9% and FY2012 from 24% (both) to 22.3% to be in line with the latest number. This would also be reflecting the continuing inflationary conditions in China affecting costs; and, a stronger RMB vs USD limiting revenue - both likely to prevail into 2012. The 9M11 *margin* of 24.7% (see table) will come down to 23.9% (FY2011F) or reduce RMB32m in *PATMI* from the previous forecast. Similarly the cut from 24% to 22.3% in FY2012 would reduce *PATMI* by RMB33m from the previous forecast. *PATMI* is reduced by only RMB13m in FY2013 from the previous forecast because we are using the same *margin* as previously but on a lower *revenue*.

For the period:	9M11/9M10			
RMBm	9M2008	9M2009	9M2010	±%
Revenue	495.800	432.700	600.173	29.0%
Gross Profit	106.600	113.700	157.213	21.7%
GP Margin	21.5%	26.3%	26.2%	(1.5%)
S&D expense	(17.200)	(17.800)	(21.409)	
G&A expense	(50.000)	(39.700)	(66.323)	
Other income	5.700	4.400	3.460	
Other expense	(0.600)	(0.700)	(0.438)	
Interest expense	(10.400)	(8.700)	(9.097)	
Interest income	0.000	0.000	1.245	
PBT	34.100	51.200	64.651	25.6%
Income tax	(3.900)	(9.100)	(10.877)	
MI	(2.500)	(2.900)	(3.131)	
PATMI	27.700	39.200	50.643	25.7%
PATMI Margin	5.6%	9.1%	8.4%	(0.2%)

Source: Sunpower, PSR %age points, in orange; negatives, in brackets

Revenue remains the positive item as an increase of RMB315m in *work-in-progress* in 3Q11 would result in revenue recognition in 4Q11 and 1Q12. We have revised down our *revenue* forecast by only 4% of 4Q11; and, by 3% each of FY2012 and FY2013.

Economies-of-scale assumption in *general & admin expense* is proving better than forecast as 9M11 came in at 10.6% increase from 9M10 vs our previous +15% load. We therefore revised this down to a +11% for FY2011. We use a +10% for both FY2012 and FY2013, same as our previous forecast.

Although *selling & distribution expense* was at a lower rate in 9M11, we are keeping our high-ish yearly forecast, just in case.

Interest rate hike was one hike less than forecast. Therefore the revised forecast is slightly lower. There were also minor adjustments to *tax* and *minority*.

Balance Sheet and Present Value

Balance sheet forecast had been changed due mainly to changes in the P&L that resulted primarily from a lower *gross profit margin*.

Current assets less *total liabilities* less *minority interest* for FY2011 had been revised from RMB295.4m to RMB239.7m. Similarly, the corresponding FY2013 numbers came down from RMB568.4m to RMB466.9m.

As a result, PV (because we do not input any inflation in the forecast numbers as these are computed on volumes alone) is calculated to be FY2013's *current assets* less *total liabilities* less *minority interest* added to 7 x FY2013 *PATMI* added back non-cash items:

RMB174.2m X 7 + RMB466.9m

RMB1,686m (instead of the previous forecast of RMB1,878m).

Price Behaviour



Source: POEMS chart, PSR

After IPO, it moved (shown by rectangle B1 in chart above) under 22¢ for 18 months. Then, it went up above 22¢, all the way to 56¢ before falling back to 22¢ again. This took (rectangle A1) 12 months. Another piece of accumulation took place for 19 months, as illustrated by rectangle B2. This can also be interpreted as mark-down/accumulation/mark-up on a shorter time-frame. This was followed by 11 months of uncertainty (more accumulation) in square C1. Finally, we had rectangle A2 of price action above 22¢, with a high of 57¢. A2 measured 12 months.

Are we going to go through another long period of accumulation?

The area bordered by the price curve and the 22¢ horizontal red line – vs the 64% being the area bordered by price curve and the same red line. We want to believe the area above 22¢ as fair value and that below 22¢ as “un-“fair value.

Valuation & Recommendation

PV is RMB1,686m. The discount (page 1) is the multiple - 36% being the area of “un-“fair value; 34% being the discount that *Hu An Cable* is trading in SGX vs Taiwan; and, 6.83% being forex loss of RMB vs SGD i.e. $0.64 \times 0.66 \times 0.9317 = 0.39355$. PV x discount = RMB663.5m. At RMB5=SGD1, and divided by 329m shares, we get a fair value of SG40¢.

We do not think management would surprise us with a positive price event like a delisting, substantial share buy-back, privatisation, MBO etc in the next two months.

And, since the market seems likely to be going down until mid-January due to European troubles or Occupy Wall Street, we would want to buy **Sunpower** at a cheaper price. That cheaper price could be a revisit of the square C2 (price chart, same page). The price range at the low end is 18¢. We want to buy there.

As this is 22% below yesterday's closing price of 23¢, this is technically a SELL.

Let's talk about how shareholders can make the destiny of Sunpower's share price (page 4).

Taking charge of the Share Price

Share Buy-back

Our 2012F shows a ROE of 17.4%. Assume the company borrows an additional *RMB10m* at 7% p.a. for 2012. It will earn a net 10.4% return or increase the EPS to RMB30.2f.

But if it borrows the additional RMB10m and buys back its shares at SG23c (assume forex of 5:1) and cancelling these, it will reduce the outstanding shares by 9m to 320m. EPS, after netting off interest expense, would come to RMB30.6f.

It is a better return for shareholders.

Therefore shareholders at the next AGM should query why management did not do share buy-back.

Professionals at Play

We have gone through TWO major rounds of mark-down/accumulation/mark-up/distribution. In cruder terms, pump-and-dump.

There must be many shareholders out there that bought Sunpower shares at above 22¢. Maybe 44¢ or 33¢. Now, sitting on losses of 50% or 33% respectively. Because they are not professionals.

With still 27% free-float, it is difficult to stop the professionals totally but we can reduce their activities.

We can STOP lending out shares. This should hinder their operations on the way down. Make sure when applying to open a trading account, you do not tick a box that permits the broker to lend out all your shares. If it is an exception box, make sure you put **Sunpower** amongst the exceptions.

We can buy without leverage so that there is no panic to cut loss when the price is falling.

We can buy when it is near intrinsic value. There are many definitions of intrinsic value but a conservative interpretation is the example given above for share buy-back.

One can never tell if the next rise is real or just another pump-and-dump. But the length of the accumulation and the magnitude of the rise should give some indication.

Be an Activist

Get yourself a book to find out how these professionals operate. You may want to split your investment into two lots. Part is for holding. And, part is for trading **Sunpower** like the professionals. When they have to share the gains with you, they may feel crowded out and go play some other stock.

Be an Advocate

If you have friends, who are long-only buy-and-hold type of fund managers, tell them about **Sunpower's** fundamentals. When they buy, they will help cripple the professionals' ability.

Attend the next AGM and keep asking management to enhance shareholder value. Ask for dividends, dividends, and more dividends. Put more pressure when the RMB400m loan is being paid down.

Ask why listing elsewhere is not a good move.

All the best!

FINANCIALS

Profit model (RMB mil)	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Order book	251.0	241.0	503.0	748.0	750.0	710.0	1119.0	1365.0	1665.0
Total Revenue	240.9	387.4	560.1	766.7	753.6	940.8	1204.4	1504.2	1835.1
Cost of goods sold	(175.7)	(287.1)	(451.6)	(593.2)	(552.2)	(697.3)	(917.1)	(1168.8)	(1413.1)
Gross profit	65.2	100.3	108.5	173.6	201.3	243.5	287.3	335.4	422.1
Selling & distribution expenses	(18.5)	(18.2)	(18.8)	(24.6)	(24.7)	(28.9)	(35.3)	(45.1)	(55.1)
Admin expenses	(28.6)	(37.7)	(48.2)	(96.4)	(84.5)	(97.9)	(108.9)	(119.7)	(131.7)
Other operating income	3.1	1.4	6.5	8.5	8.1	7.1	6.7	8.0	8.0
Other operating expenses	(0.1)	(0.4)	(0.7)	(0.3)	(0.7)	(0.0)	(0.5)	(0.5)	(0.5)
Profit b/interest, tax and minority interest	21.1	45.4	47.2	60.7	99.6	123.9	149.4	178.1	242.8
Interest expenses	(1.3)	(4.2)	(7.4)	(13.9)	(11.9)	(12.1)	(27.6)	(28.5)	(18.3)
Interest income	0.1	0.4	0.3	1.0	0.9	1.4	1.5	4.0	4.0
Profit before income tax and minority interest	20.0	41.6	40.1	47.8	88.6	113.2	123.4	153.6	228.5
Income tax	0.0	(4.4)	(3.6)	(2.9)	(18.0)	(20.2)	(22.5)	(47.2)	(68.4)
Minority interest	(1.4)	(0.9)	(3.9)	(4.8)	(6.4)	(6.4)	(6.5)	(8.1)	(9.9)
Profit after income tax and minority interest	18.6	36.2	32.7	40.1	64.2	86.6	94.4	98.3	150.2
Diluted earnings per share RMBf	5.7	11.0	9.9	12.2	19.5	26.3	28.7	29.9	45.7
Diluted earnings per share SG¢	1.2	2.2	2.0	2.6	4.0	5.1	5.7	6.0	9.1
Growth & margins (%)	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Revenue growth	20.0%	60.8%	44.6%	36.9%	(1.7%)	24.8%	28.0%	24.9%	22.0%
Gross profit growth	(7%)	54%	8%	60%	16%	21%	18%	17%	26%
Net profit growth	8%	9%	6%	5%	9%	9%	8%	7%	8%
Gross profit margin	27.1%	25.9%	19.4%	22.6%	26.7%	25.9%	23.9%	22.3%	23.0%
Net profit margin	7.7%	9.4%	5.8%	5.2%	8.5%	9.2%	7.8%	6.5%	8.2%
ROA	5.7%	8.0%	4.6%	4.8%	6.3%	6.5%	5.3%	5.0%	6.7%
ROE	15.3%	22.9%	17.1%	17.4%	21.7%	22.7%	20.0%	17.4%	21.0%
Cash flow statement (RMB mil)	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Profit(Loss) before tax	20.0	41.6	40.1	47.8	88.6	113.2	123.4	153.6	228.5
Depreciation, amortisation	3.1	5.4	8.7	10.7	11.2	11.8	16.0	20.5	24.0
Loss(gain) on disposal of plant, equipment	0.0	0.0	0.0	0.0	0.2	(1.8)	0.0	0.0	0.0
Receivables provision/write-off	1.0	0.9	(0.2)	20.9	(1.3)	2.3	0.0	0.0	0.0
Inventories provision/write-off	0.3	1.3	0.9	2.5	(2.9)	0.0	0.0	0.0	0.0
Interest expense	1.3	4.2	7.4	13.9	11.9	12.1	27.6	28.5	18.3
Interest income	(0.1)	(0.4)	(0.3)	(1.0)	(0.9)	(1.4)	(1.5)	(4.0)	(4.0)
Operating income b/working capital changes	25.5	53.0	56.6	94.8	106.8	136.2	165.4	198.6	266.8
Change in trade receivables	(63.8)	(29.0)	(87.5)	(56.3)	(90.7)	(207.8)	(140.6)	(165.1)	(201.4)
Change in other receivables	(27.0)	(9.8)	(4.4)	(47.7)	57.1	(53.0)	(25.2)	(26.9)	(32.9)
Change in inventories	(19.6)	(25.8)	(97.8)	(60.9)	2.2	50.9	(166.3)	(76.5)	(80.4)
Change in trade payables	70.1	23.5	137.1	59.2	26.3	173.5	181.4	174.5	183.4
Change in other payables	0.8	2.4	21.3	34.3	(4.2)	22.3	13.4	27.6	26.8
Cash generated from operations	(13.9)	14.3	25.3	23.3	97.6	122.1	28.1	132.2	162.4
Interest paid	(1.3)	(5.1)	(10.5)	(13.9)	(11.9)	(13.6)	(27.6)	(28.5)	(18.3)
Interest received	0.1	0.4	0.3	1.0	0.9	1.4	1.5	4.0	4.0
Income tax paid	0.0	(3.4)	(1.3)	(7.7)	(15.5)	(11.6)	(24.0)	(52.0)	(68.0)
Net cash from operating activities	(15.1)	6.2	13.8	2.7	71.0	98.3	(22.0)	55.8	80.1
Purchased land rights	0.0	(15.2)	0.0	0.0	0.0	(19.3)	(14.7)	0.0	0.0
Purchased plant, property & equipment	(19.5)	(33.5)	(40.1)	(7.9)	(12.6)	(53.1)	(56.4)	(50.8)	(10.1)
Sale proceeds of property, plant & equipment	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0
Net cash used in investing activities	(19.5)	(48.8)	(40.0)	(7.9)	(12.6)	(69.5)	(71.1)	(50.8)	(10.1)
Issue of common stock	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPO proceeds/dividends to shareholders	35.3	0.0	0.0	0.0	0.0	0.0	(5.1)	(4.9)	0.0
Minority interest	(0.6)	(0.6)	(0.6)	(1.2)	0.0	(2.5)	6.0	0.0	0.0
Change in pledged deposits	(26.5)	17.3	(9.7)	(6.3)	(19.9)	(2.1)	(22.0)	(15.2)	(18.5)
Proceeds from bank loans, term note	39.0	62.0	57.0	143.5	263.4	276.3	190.0	0.0	0.0
Repaid bank loans	0.0	0.0	0.0	(146.0)	(181.8)	(260.2)	(30.0)	(119.2)	(78.0)
Net cash from financing activities	51.2	78.7	46.7	(10.0)	61.8	11.5	138.9	(139.3)	(96.5)
Exchange difference on translation	(0.2)	(0.2)	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Net change in cash	16.4	36.0	20.7	(15.0)	120.2	40.3	45.9	(134.4)	(26.6)
Balance sheet cash difference	16.4	36.0	20.7	(15.0)	120.2	40.3	45.9	(134.4)	(26.6)

Source: Sunpower, Phillip Securities Research

FINANCIALS

Balance sheet (RMB mil)	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Cash and bank balances	33.7	69.7	90.5	75.5	195.7	236.0	281.9	147.5	120.9
Pledged deposits	26.5	9.2	18.9	25.2	45.1	47.2	69.1	84.3	102.9
Trade receivables	160.8	188.9	276.7	312.2	404.1	609.7	750.2	915.3	1116.7
Other receivables	39.5	49.3	53.6	101.4	44.2	97.2	122.4	149.3	182.2
Inventories	29.6	54.1	151.1	209.5	210.1	159.1	325.4	401.9	482.3
Land rights	0.1	0.5	0.5	0.5	0.5	1.0	1.3	1.3	1.3
Total Current assets	290.2	371.7	591.3	724.2	899.8	1150.1	1550.4	1699.7	2006.3
Property, plant, equipment	29.1	58.6	93.7	91.7	93.8	136.4	178.2	210.1	197.9
Land rights	4.4	19.1	18.4	17.9	17.4	35.5	48.8	47.4	46.1
Intangibles	2.5	2.2	1.9	1.6	1.3	1.0	0.7	0.4	0.1
Deferred tax assets	0.0	0.3	0.4	4.4	4.7	4.9	4.9	4.9	4.9
Total Non-current assets	36.0	80.1	114.4	115.6	117.1	177.9	232.6	262.9	248.9
Total Assets	326.2	451.8	705.8	839.9	1016.9	1328.0	1783.0	1962.5	2255.2
Trade payables	(141.6)	(165.1)	(302.3)	(361.4)	(387.7)	(561.2)	(742.6)	(917.1)	(1100.5)
Other payables	(11.0)	(13.4)	(34.7)	(69.0)	(64.8)	(87.1)	(100.5)	(128.1)	(154.9)
Short-term bank loans	(45.0)	(77.0)	(131.0)	(141.5)	(218.1)	(215.0)	(390.0)	(300.0)	(222.0)
Income tax payable	0.0	(1.2)	(3.6)	(2.6)	(4.9)	(13.2)	(11.7)	(6.9)	(7.3)
Total Current liabilities	(197.6)	(256.8)	(471.6)	(574.5)	(675.6)	(876.5)	(1244.8)	(1352.1)	(1484.6)
Long-term bank loans	0.0	(30.0)	(33.0)	(20.0)	(25.0)	(44.2)	(29.2)	0.0	0.0
Deferred tax liability	0.0	0.0	0.0	(0.3)	(0.7)	(1.2)	(1.2)	(1.2)	(1.2)
Total Non-current liabilities	0.0	(30.0)	(33.0)	(20.3)	(25.7)	(45.4)	(30.4)	(1.2)	(1.2)
Total Liabilities	(197.6)	(286.8)	(504.6)	(594.8)	(701.2)	(921.8)	(1275.1)	(1353.3)	(1485.8)
Common stock	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)
Share premium	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)
Currency translation reserve	0.2	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
General reserve	(8.6)	(12.6)	(16.4)	(21.4)	(29.3)	(35.3)	(37.2)	(37.2)	(37.2)
Retained earnings	(51.1)	(83.4)	(112.2)	(147.4)	(203.6)	(284.2)	(371.5)	(464.9)	(615.1)
Total Common equity	(122.0)	(158.0)	(190.9)	(231.3)	(295.4)	(382.0)	(471.2)	(564.5)	(714.8)
Minority interest	(6.6)	(7.0)	(10.2)	(13.8)	(20.3)	(24.1)	(36.6)	(44.7)	(54.6)
Total Equity	(128.6)	(165.0)	(201.2)	(245.1)	(315.7)	(406.1)	(507.8)	(609.3)	(769.4)
Total Equity and Liabilities	(326.2)	(451.8)	(705.8)	(839.9)	(1016.9)	(1328.0)	(1783.0)	(1962.5)	(2255.2)
Diluted book value/share RMBf	37.1	48.0	58.0	70.3	89.8	116.1	143.2	171.6	217.3
Diluted tangible asset value RMBf	36.3	47.4	57.5	69.8	89.4	115.8	143.0	171.5	217.2
Diluted book value/share SG¢	7.6	9.4	11.5	14.8	18.5	22.7	28.6	34.3	43.5
Diluted tangible asset value SG¢	7.5	9.3	11.3	14.7	18.4	22.6	28.6	34.3	43.4
Key Ratios	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Gross gearing	0.61	0.63	0.71	0.71	0.69	0.69	0.72	0.69	0.66
Net gearing	0.52	0.61	0.69	0.68	0.65	0.66	0.68	0.65	0.61
Debt ratio	0.00	0.16	0.15	0.08	0.08	0.10	0.06	0.00	0.00
Assets to sales ratio	1.35	1.17	1.26	1.10	1.35	1.41	1.48	1.30	1.23
Trade receivable days	244	178	180	149	196	237	227	222	222
Trade payables days	294	210	244	222	256	294	296	286	284
Inventories days	61	69	122	129	139	83	130	126	125
Cash turnover	7.1	5.6	6.2	10.2	3.9	4.0	4.3	10.2	15.2
Total assets turnover	1.4	1.2	1.3	1.1	1.3	1.4	1.5	1.3	1.2
Common equity turnover	0.5	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Deposits & Inventory/Fwd1Y COS	0.33	0.25	0.38	0.61	0.43	0.33	0.44	0.45	NM
Valuation	2005A	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F
Price/Earnings (X)	9.00	8.56	13.77	3.89	5.36	7.10	4.01	3.85	2.52
Price/Book (X)	1.37	1.96	2.36	0.67	1.17	1.61	0.80	0.67	0.53
Price/Tangible book (X)	1.40	1.99	2.38	0.68	1.17	1.61	0.80	0.67	0.53
Price/Cashflow from Operations	(2.29)	9.79	6.42	12.11	1.00	1.22	(3.45)	1.36	0.94
Dividend yield, based on prior y/e price	N/A	N/A	N/A	N/A	N/A	N/A	0.8%	N/A	N/A
Number of shares (million)	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000
Share price at end of period SG¢	10.5	18.5	27.0	10.0	21.5	36.5	23.0	23.0	23.0
Dividend paid at ex-date SG¢	N/A	N/A	N/A	N/A	N/A	N/A	0.3	N/A	N/A
Forex rate at y/e	4.8473	5.0916	5.0684	4.7416	4.8662	5.1203	5.0000	5.0000	5.0000

Source: Sunpower, Phillip Securities Research

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Profit model (RMB mil)	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Total Revenue	161.5	172.7	265.9	340.6	226.6	227.6	320.0	430.2	291.0	267.4	408.0	537.8
Cost of sales	(117.6)	(121.1)	(204.2)	(254.3)	(176.1)	(157.8)	(248.9)	(334.3)	(226.1)	(207.8)	(317.0)	(417.9)
Gross profit	43.9	51.6	61.7	86.3	50.5	69.8	71.1	95.9	64.9	59.6	91.0	119.9
Selling & distribution expenses	(5.5)	(8.3)	(7.6)	(7.5)	(6.8)	(7.2)	(8.3)	(12.9)	(8.7)	(8.0)	(12.2)	(16.1)
Admin expenses	(23.3)	(17.0)	(26.0)	(31.6)	(23.2)	(27.3)	(22.9)	(35.5)	(25.5)	(30.0)	(25.1)	(39.1)
Other operating income	0.3	1.9	1.2	3.6	1.8	0.7	2.5	1.8	2.0	2.0	2.0	2.0
Other operating expenses	(0.0)	(0.0)	(0.4)	0.4	0.0	(0.1)	(0.4)	0.0	0.0	0.0	0.0	0.0
Profit b/interest, tax and minority interest	15.4	28.2	28.9	51.4	22.2	36.0	42.0	49.3	32.6	23.6	55.6	66.7
Interest expenses	(2.5)	(2.8)	(3.8)	(3.0)	(6.1)	(6.7)	(7.1)	(7.7)	(7.7)	(7.7)	(7.7)	(5.5)
Interest income	0.4	0.3	0.6	0.2	0.4	0.2	0.4	0.5	1.0	1.0	1.0	1.0
Profit before income tax and minority interest	13.3	25.6	25.8	48.5	16.5	29.5	35.2	42.1	26.0	16.9	48.9	62.3
Income tax	(2.6)	(3.8)	(4.5)	(9.4)	(3.8)	(3.4)	(6.6)	(8.8)	(9.9)	(9.1)	(13.9)	(14.3)
Minority interest	(0.5)	(1.8)	(0.9)	(3.2)	1.9	(4.3)	(1.4)	(2.6)	(1.6)	(1.4)	(2.2)	(2.9)
Profit after income tax and minority interest	10.2	20.1	20.4	35.9	14.6	21.8	27.2	30.7	14.5	6.4	32.8	45.0
Diluted earnings per share RMBf	3.1	6.1	6.2	10.9	4.4	6.6	8.3	9.3	4.4	1.9	10.0	13.7
Diluted earnings per share SG¢	0.6	1.3	1.2	2.1	0.9	1.3	1.7	1.9	0.9	0.4	2.0	2.7
Growth & margins (%)	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Revenue growth (yoy)	53.2%	5.7%	62.4%	6.2%	40.3%	31.7%	20.3%	26.3%	28.4%	17.5%	27.5%	25.0%
Gross profit growth (yoy)	26.9%	14.7%	80.9%	(1.5%)	15.0%	35.3%	15.2%	11.1%	28.6%	(14.6%)	28.0%	25.0%
Net profit growth (yoy)	43.6%	15.4%	38.6%	44.2%	43.3%	8.7%	33.5%	(14.5%)	(0.9%)	(70.6%)	20.7%	46.6%
Gross profit margin	27.2%	29.9%	23.2%	25.3%	22.3%	30.7%	22.2%	22.3%	22.3%	22.3%	22.3%	22.3%
Net profit margin	6.3%	11.6%	7.7%	10.5%	6.5%	9.6%	8.5%	7.1%	5.0%	2.4%	8.0%	8.4%
ROA	1.1%	1.8%	1.8%	2.7%	0.8%	1.3%	1.5%	1.7%	0.8%	0.4%	1.7%	2.3%
ROE	3.3%	6.2%	5.9%	9.4%	3.7%	5.3%	6.2%	6.5%	3.0%	1.3%	6.3%	8.0%
Cash flow statement (RMB mil)	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Profit(Loss) before tax	13.3	25.6	25.8	48.5	16.5	29.5	35.2	42.1	26.0	16.9	48.9	62.3
Depreciation, amortisation	3.3	3.0	3.2	2.4	3.6	3.9	4.1	4.4	4.7	5.0	5.3	5.5
Loss(gain) on disposal of plant, equipment	(0.0)	(1.8)	(0.0)	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0
Receivables provision/write-off	0.1	(2.6)	2.5	2.4	(0.1)	(0.3)	2.2	(1.8)	0.0	0.0	0.0	0.0
Inventories provision/write-off	0.0	(0.5)	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	2.5	2.8	3.8	3.0	6.1	6.7	7.1	7.7	7.7	7.7	7.7	5.5
Interest income	(0.4)	(0.3)	(0.6)	(0.2)	(0.4)	(0.2)	(0.4)	(0.5)	(1.0)	(1.0)	(1.0)	(1.0)
Operating income b/working capital changes	18.7	26.2	34.6	56.7	25.7	39.5	48.3	51.9	37.3	28.6	60.9	72.3
Change in trade receivables	46.6	(55.8)	(45.4)	(153.2)	(178.9)	162.6	(92.6)	(33.5)	(93.0)	67.6	17.1	(94.4)
Change in other receivables	(50.2)	18.9	12.5	(34.1)	(222.2)	17.7	109.3	70.1	(6.6)	(7.0)	(7.0)	(6.3)
Change in inventories	(18.6)	(51.7)	30.4	90.8	(16.6)	(223.4)	(103.0)	176.8	0.4	(50.0)	(25.0)	(1.9)
Change in trade payables	(45.5)	115.0	(34.7)	138.7	302.9	(104.7)	(4.6)	(12.2)	25.6	(17.3)	191.8	(25.6)
Change in other payables	(26.2)	13.7	4.5	30.4	0.2	(23.2)	7.2	32.4	(13.1)	(13.3)	(14.3)	0.5
Cash generated from operations	(75.3)	66.3	1.8	129.3	(88.9)	(131.6)	(35.4)	285.4	(49.4)	8.6	223.5	(55.4)
Interest paid	(2.5)	(2.8)	(3.8)	(3.0)	(6.1)	(6.7)	(7.1)	(7.7)	(7.7)	(7.7)	(7.7)	(5.5)
Interest received	0.4	0.3	0.6	0.2	0.4	0.2	0.4	0.5	1.0	1.0	1.0	1.0
Income tax paid	(2.2)	(5.0)	(4.0)	(0.5)	(14.7)	3.2	(9.9)	(2.6)	(10.0)	(10.0)	(14.0)	(18.0)
Net cash from operating activities	(79.6)	58.8	(5.4)	126.0	(109.2)	(134.8)	(52.1)	275.6	(66.0)	(8.0)	202.8	(77.9)
Purchased land rights	0.0	0.0	0.0	(19.3)	0.0	0.0	0.3	(15.0)	0.0	0.0	0.0	0.0
Purchased plant, property & equipment	(4.3)	(8.5)	(4.5)	(35.9)	(6.6)	(6.8)	(14.6)	(28.4)	(5.0)	(5.0)	(35.0)	(5.8)
Sale proceeds of property, plant & eqpt	0.1	2.6	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in investing activities	(4.2)	(5.9)	(4.4)	(55.1)	(6.6)	(6.8)	(14.6)	(43.4)	(5.0)	(5.0)	(35.0)	(5.8)
Issue of common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPO proceeds/Dividend paid to s/holders	0.0	0.0	0.0	0.0	0.0	(5.1)	0.0	0.0	0.0	0.0	0.0	0.0
Paid minority interest	0.0	0.0	0.0	(2.5)	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in pledged deposits	5.6	3.7	16.5	(27.8)	(25.9)	24.4	14.8	(35.2)	(3.9)	(4.0)	(4.0)	(3.3)
Proceeds from bank loans, term note	40.0	70.0	95.0	71.3	128.7	178.2	102.0	0.0	(0.0)	(0.0)	0.0	0.0
Repaid bank loans	(32.0)	(74.0)	(92.1)	(62.1)	(40.0)	(124.6)	(84.0)	(0.3)	0.0	0.0	(90.0)	(29.2)
Net cash from financing activities	13.6	(0.3)	19.4	(21.1)	68.8	72.8	32.8	(35.5)	(3.9)	(4.0)	(94.0)	(32.5)
Exchange difference on translation	(0.1)	0.0	0.0	(1.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash	(70.2)	52.6	9.6	48.3	(47.0)	(68.8)	(33.9)	196.7	(74.9)	(17.0)	73.8	(116.2)
Balance sheet cash difference	(70.2)	52.6	9.6	48.3	(47.0)	(68.8)	(33.9)	195.5	(74.9)	(17.0)	73.8	(116.2)

Source: Sunpower, Phillip Securities Research

Assume RMB5=SGD1; share price=SG23¢

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Balance sheet (RMB mil)	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Trade receivables	357.5	415.9	458.9	609.7	788.7	626.4	716.7	750.2	864.0	817.3	820.9	915.3
Other receivables	94.5	75.6	63.1	97.2	319.4	301.7	192.5	122.4	129.0	136.0	143.0	149.3
Inventories	228.7	280.8	250.4	159.1	175.7	399.1	502.2	325.4	325.0	375.0	400.0	401.9
Land rights	0.5	0.5	0.5	1.0	1.0	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Total Current assets	846.2	986.8	979.9	1150.1	1546.8	1497.5	1532.9	1550.4	1599.3	1596.5	1710.0	1699.7
Property, plant, equipment	94.9	99.8	101.3	136.4	139.7	166.5	177.3	178.2	178.5	178.5	208.2	210.1
Land rights	17.2	17.1	16.9	35.5	35.3	49.2	49.0	48.8	48.4	48.0	47.6	47.4
Intangibles	1.2	1.2	1.1	1.0	1.0	0.9	0.8	0.7	0.9	0.8	0.7	0.4
Deferred tax assets	4.5	4.0	4.5	4.9	5.0	4.7	4.3	4.9	4.9	4.9	4.9	4.9
Total Non-current assets	117.9	122.1	123.8	177.9	181.0	221.3	231.4	232.6	232.7	232.2	261.4	262.9
Total Assets	964.1	1108.9	1103.7	1328.0	1727.8	1718.8	1764.3	1783.0	1832.0	1828.7	1971.4	1962.5
Trade payables	(342.2)	(457.2)	(422.5)	(561.2)	(864.1)	(759.4)	(754.8)	(742.6)	(768.2)	(750.9)	(942.7)	(917.1)
Other payables	(38.6)	(52.3)	(56.7)	(87.1)	(87.3)	(102.2)	(109.4)	(100.5)	(108.0)	(115.0)	(121.0)	(128.1)
Short-term bank loans	(226.1)	(222.1)	(195.0)	(215.0)	(303.6)	(357.1)	(390.0)	(390.0)	(390.0)	(390.0)	(300.0)	(300.0)
Income tax payable	(5.1)	(3.3)	(4.1)	(13.2)	(2.3)	(8.5)	(4.6)	(11.7)	(11.6)	(10.7)	(10.6)	(6.9)
Total Current liabilities	(612.0)	(734.9)	(678.3)	(876.5)	(1257.4)	(1227.2)	(1258.8)	(1244.8)	(1277.7)	(1266.6)	(1374.2)	(1352.1)
Long-term bank loans	(25.0)	(25.0)	(55.0)	(44.2)	(44.3)	(44.4)	(29.5)	(29.2)	(29.2)	(29.2)	(29.2)	0.0
Deferred tax liability	(0.7)	(0.8)	(1.0)	(1.2)	(1.3)	(1.4)	(1.5)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Total Non-current liabilities	(25.7)	(25.8)	(56.0)	(45.4)	(45.6)	(45.7)	(31.0)	(30.4)	(30.4)	(30.4)	(30.4)	(1.2)
Total Liabilities	(637.8)	(760.7)	(734.2)	(921.8)	(1302.9)	(1273.0)	(1289.8)	(1275.1)	(1308.1)	(1296.9)	(1404.6)	(1353.3)
Common stock	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)	(27.2)
Share premium	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)	(35.3)
Currency translation reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General reserve	(29.4)	(29.7)	(29.8)	(35.3)	(35.8)	(35.9)	(36.1)	(37.2)	(37.2)	(37.2)	(37.2)	(37.2)
Retained earnings	(213.7)	(233.4)	(253.7)	(284.2)	(298.2)	(314.9)	(341.9)	(371.5)	(386.0)	(392.4)	(425.3)	(464.9)
Total Common equity	(305.6)	(325.7)	(346.0)	(382.0)	(396.6)	(413.3)	(440.5)	(471.2)	(485.7)	(492.1)	(524.9)	(564.5)
Minority interest	(20.8)	(22.5)	(23.4)	(24.1)	(28.3)	(32.6)	(34.0)	(36.6)	(38.2)	(39.6)	(41.8)	(44.7)
Total Equity	(326.4)	(348.2)	(369.4)	(406.1)	(424.9)	(445.9)	(474.5)	(507.8)	(523.9)	(531.7)	(566.8)	(609.3)
Total Equity and Liabilities	(964.1)	(1108.9)	(1103.7)	(1328.0)	(1727.8)	(1718.8)	(1764.3)	(1783.0)	(1832.0)	(1828.7)	(1971.4)	(1962.5)
Diluted book value/share RMBf	92.9	99.0	105.2	116.1	120.5	125.6	133.9	143.2	147.6	149.6	159.6	171.6
Diluted tangible asset value RMBf	92.5	98.6	104.8	115.8	120.3	125.4	133.6	143.0	147.4	149.3	159.3	171.5
Diluted book value/share SG¢	19.1	20.4	20.7	22.7	23.2	23.9	27.2	28.6	29.5	29.9	31.9	34.3
Diluted tangible asset value SG¢	19.0	20.3	20.6	22.6	23.1	23.8	27.2	28.6	29.5	29.9	31.9	34.3
Key Ratios	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Gross gearing	0.66	0.69	0.67	0.69	0.75	0.74	0.73	0.72	0.71	0.71	0.71	0.69
Net gearing	0.62	0.65	0.65	0.66	0.71	0.71	0.71	0.68	0.67	0.67	0.67	0.65
Debt ratio	0.08	0.07	0.14	0.10	0.10	0.10	0.06	0.06	0.06	0.06	0.05	0.00
Assets to sales ratio	5.97	6.42	4.15	3.90	7.63	7.55	5.51	4.14	6.30	6.84	4.83	3.65
Trade receivable days	202	220	157	163	318	251	204	159	271	279	184	155
Trade payables days	266	344	189	201	448	439	277	203	310	330	271	200
Inventories days	177	212	112	57	91	231	184	89	131	165	115	88
Cash turnover	0.9	0.7	1.1	1.1	0.9	1.3	2.9	1.2	1.1	1.1	1.2	2.8
Total assets turnover	6.0	6.4	4.2	3.9	7.6	7.6	5.5	4.1	6.3	6.8	4.8	3.6
Common equity turnover	1.9	1.9	1.3	1.1	1.8	1.8	1.4	1.1	1.7	1.8	1.3	1.0
Deposits & Inventory/Fwd3Qs' COS	0.63	0.62	0.57	0.52	0.883F	0.883F	0.883F	0.883F	0.883F	0.883F	0.883F	0.883F
Valuation	1Q10A	2Q10A	3Q10A	4Q10A	1Q11A	2Q11A	3Q11A	4Q11F	1Q12F	2Q12F	3Q12F	4Q12F
Trailing Price/Earnings (X)	4.5	4.6	5.8	7.0	7.1	6.7	3.8	4.1	4.0	4.8	4.5	3.8
Price/Book (X)	1.00	0.98	1.30	1.61	1.68	1.53	0.83	0.80	0.78	0.77	0.72	0.67
Price/Tangible book (X)	1.00	0.98	1.31	1.61	1.68	1.53	0.83	0.80	0.78	0.77	0.72	0.67
Dividend yield	N/A	N/A	N/A	N/A	N/A	0.8%	N/A	N/A	N/A	N/A	N/A	N/A
Number of shares (million)	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000	329.000
Price at end of period SG¢	19.0	20.0	27.0	36.5	39.0	36.5	22.5	23.0	23.0	23.0	23.0	23.0
Dividend paid at ex-date SG¢	N/A	N/A	N/A	N/A	N/A	0.30	N/A	N/A	N/A	N/A	N/A	N/A
Forex rate at period end RMB=SGD1	4.8662	4.8473	5.0787	5.1203	5.1948	5.2576	4.9188	5	5	5	5	5

Source: Sunpower, Phillip Securities Research

Assume RMB5=SGD1; share price=SG23 ¢

Ratings History

Sunpower Group

Rating	Date	Previous Closing price (S\$)	Target Price (S\$)	Remarks
Sell	18 Nov 2011	0.23	0.18	3Q11 Result
Buy	1 Sep 2011	0.23	0.375	2Q11 Result
Buy	19 May 2011	0.39	0.60	1Q11 Result
Buy	25 Feb 2011	0.39½	0.79	4Q10 Result
Buy	3 Dec 2010	0.31½	0.57	Update
Buy	12 Nov 2010	0.32½	0.56	3Q10 Result
Buy	8 Oct 2010	0.28½	0.46	Initiation

Phillip Research Stock Selection Systems	TRADING BUY	Share price may exceed 10% on the upside over the next 3 months, however longer-term outlook remains uncertain
	BUY	>15% upside from the current price
	HOLD	-10% to 15% from the current price
	SELL	>10% downside from the current price
	TRADING SELL	Share price may exceed 10% on the downside over the next 3 months, however longer-term outlook remains uncertain
	We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation	

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