

Sunpower's GI recurring EBITDA grows 43.7% YoY to RMB191.9 million and steam sales volume rises 16.9% to 2.53 million tons in 1Q 2023

Key Highlights

- **Demand for steam remained strong and drove continued ramp-up of existing projects**
Total steam sales volume rose 16.9% YoY to 2.53 million tons in 1Q 2023
GI recurring revenue rose 23.1% YoY to RMB798.4 million
- **GI profitability improved significantly on the back of strong demand and the execution of the Mitigation Measures⁵, etc.**
GI recurring EBITDA rose 43.7% YoY to RMB191.9 million in 1Q 2023
GI recurring PATMI rose 88.1% YoY to RMB54.0 million
- **Improved results and strong outlook testify to Group's strong foundation, laid by proven business model and comprehensive response to FY2022 challenges**

Singapore, 10 May 2023 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam and industrial services through centralised steam facilities with a sizeable portfolio of recurring, long-term, income-generating Green Investments (“GI”) projects that use innovative integrated environmental protection technologies, announced its results for the three months to 31 March 2023 (“1Q 2023”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

| RMB million | 1Q 2023 | 1Q 2022 | YoY Chg |
|------------------------------------|---------|---------|---------|
| Steam sales volume (m tons) | 2.53 | 2.16 | 16.9% |
| GI recurring revenue ¹ | 798.4 | 648.7 | 23.1% |
| GI recurring EBITDA ² | 191.9 | 133.5 | 43.7% |
| GI recurring PATMI ³ | 54.0 | 28.7 | 88.1% |
| GI operating cashflow ⁴ | (29.4) | (57.4) | n/m |

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI operating cashflow” to reflect the operating results of the GI business. This document should be read in conjunction with the Announcement of Unaudited Interim Financial Statements for the First Quarter Ended 31 March 2023 released at the same time.

¹ GI recurring revenue refers to recurring revenue generated by the GI business, including commission fees recognised in accordance with *SFRS(I) INT15*. It excludes one-time contributions from services for BOT projects, including EPC services, that are performed by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*.

² GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes gains or costs incurred by way of the Manufacturing & Services (M&S) business disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

³ GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and employee remuneration at the group level, etc.

⁴ GI operating cashflow refers to cashflow generated by operating activities of the GI Business.

Key Investment Highlights

- Leading provider of industrial steam with development strategy aligned with national policies**
Sunpower has scaled up to 10 projects in operation and 1 project expected to commence operation in 2023 with a proven track record, leading market position and strong brand equity.

Its long-term growth strategy is aligned with national policies to promote carbon peaking and carbon neutrality, the clean and efficient utilisation of feedstock. Multiple pollution sources can be eliminated with just one centralised GI plant within a circular economy industrial park that helps the park attain ultra-low emissions and allows Sunpower to increase revenue and reduce cost.
- Superior GI business model that generates recurring, long-term income**
GI's superior business model is based on exclusive concessions of typically 30 years with first right to renew and extensive networks of pipelines that enhance its *de facto* exclusivity. They confer a strong market position to supply steam, a non-discretionary input product, to a large base of customers that provides resilient demand, bolstered by technologies that act as entry barriers against competition.

GI plants typically have B2B arrangements with end-customers. There is also a contractual price adjustment mechanism that links feedstock cost to steam price and allows reliable profitability in the long-term.
- Resilient financial performance with solid growth**
Sunpower has proven its ability to sustain resilient financial performance with solid growth.
- Well-positioned to gain long-term growth potential**
With a sizeable portfolio of GI projects, Sunpower is well-positioned to benefit from the natural organic growth of its customers and industrial parks due to the mandatory closures of small dirty boilers, and the relocation of more factories into industrial parks. Long-term growth will come from the large addressable market and strong project pipeline.
- Practises ESG and sustainability values in every aspect**
Sunpower is committed to better sustainability in its business by incorporating environmental, social and governance (ESG) values in every aspect. In addition, it is a pioneer in the development of the circular economy of industrial parks and helping China to attain its Carbon Peak and Carbon Neutrality targets.
- Professional & disciplined management with strong execution and entrepreneurship**
The key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined and standardised management approach.
- Strong institutional investors that support the group**
Among them are the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies in China.

10 Projects in Operation, 1 Project Expected to Commence Operation in 2023



Financials

The Group reported a significant YoY improvement in its financial performance in 1Q 2023. Total steam sales volume rose 16.9% YoY to 2.53 million tons in 1Q 2023 due to the continued ramp-up of the GI projects, bolstered by continued strong demand from end-customers, as the adverse effects of the pandemic receded.

GI recurring revenue rose 23.1% YoY to RMB798.4 million, with the growth mainly attributed to the higher steam sales volume and the execution of the price adjustment mechanism that links feedstock cost to steam price.

Furthermore, the profitability of the GI projects improved on the back of the strong growth in demand for industrial steam, the execution of the price adjustment mechanism, the Mitigation Measures⁵ as well as the tapering-off of the pandemic and the reduced volatility of feedstock prices⁶ in 1Q 2023. GI recurring EBITDA rose 43.7% to RMB191.9 million, while GI recurring PATMI rose 88.1% to RMB54.0 million on improved margins.

The 1Q 2023 results are a testament to the Group’s proven business model and the solid foundation laid by the management’s comprehensive response to the tough macro conditions of FY2022. With the tapering-off of the COVID-19 pandemic and the improved economic outlook in the PRC, Sunpower has continued to execute the Mitigation Measures and further refine its operations and management of each GI project to incrementally grow its earnings and sustain long-term growth.

The GI business recorded an operating cash outflow of RMB29.4 million mainly due to increased working capital requirements arising from the increase in trade receivables, increase in financial assets at fair value through other comprehensive income, increase in other receivables and prepayments, decrease in inventories, decrease in trade payables, other payables and contract liabilities, and interest and tax paid.

GI Business Updates

The Group is a leading company in the industry of centralised steam facilities and a pioneer in facilitating the development of circular economy industrial parks promoted by the “14th Five-Year Plan for Circular Economy Development” of the National Development and Reform Commission (NDRC).



- **Sizeable GI portfolio:**
 - 10 existing projects in operation
 - 1 new project expected to commence operation in 2023
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~405 km enhances de facto project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: ~525⁷**

⁵ Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

⁶ https://sxcoal.substack.com/p/issue-15-chinas-thermal-and-coking?utm_source=post-email-title&publication_id=1242508&post_id=114253873&isFreemail=true&utm_medium=email

⁷ Dynamic data that accounts for the net change in the number of customers.

Sunpower supplies industrial steam to a diversified captive customer base that spans more than 20 industries. Sunpower's GI projects are strategically located in the industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence. Its projects are exclusive suppliers in the coverage areas mainly based on operating concessions of typically 30 years with first right of renewal and *de facto* exclusivity enhanced by extensive networks of valuable steam distribution pipelines of 405 km in length due to the relocation of customers and organic development of industrial parks.

In addition, Sunpower provides clean civil heating to a large base of households, and electricity to the State Grid. Certain projects have added new products such as compressed air to complement steam sales and broaden their role as an industrial service provider. Its GI projects will continue to ramp up with expansion of existing customers and relocation of new customers into their coverage areas, laying a strong foundation for future growth.

Updates on other GI Projects:

- **Changrun:** The recovery of the tourism industry after the pandemic benefited the local towel industry in Gaoyang County and boosted customers' demands (Gaoyang County where Changrun Project is located supplies approximately 1/3 of towels in the whole of China).
- **Yongxing:** Its JV plant is expected to be ready for steam supply in the second half of 2023.
- **Shantou:** Phase 1 and Phase 2 are ramping up. Shantou Project's four generators are eligible to charge for electricity at prices for generators with environmental protection devices.
- **Suyuan:** Certain new enterprises relocated into its coverage area with plants under construction.
- **Lianshui & Quanjiao:** Expanding access to new customers.
- **Jining:** Part of the Phase 2 pipelines are put into use, with the rest to be gradually put into use based on the growing steam demand of customers.
- **Tongshan:** Developing new customers to supply industrial steam whilst selling green electricity to state grid. The heating supply season ended in March of this year.
- **Shanxi Xinjiang:** expected to commence operation in 2023.

Outlook

At the "Two Sessions" annual meeting in March 2023, the target growth rate of China's domestic economy in 2023 was set at 5%, with consumption and investment emphasized as the twin drivers of domestic demand.⁸ In 1Q 2023, the consumer market accelerated its recovery⁹ and the manufacturing sector continued to maintain stable growth.¹⁰

With Covid-19 being downgraded as an infectious virus under Class B Infectious Disease, the inhibitory effect of the pandemic on production has been greatly reduced, which is conducive to unleashing the potential of economic growth¹¹. Further, China has reduced restrictions on travellers entering China and is promoting the country's opening up¹². As of April 2023, the outlook for steam demand in 2023 is strong.

However, geopolitical risks still remain¹³ and Covid-19 may undergo a sporadic domestic resurgence in the future¹⁴, which may still affect business operations of some enterprises.

⁸ <https://new.qq.com/rain/a/20230411A00ELR00>

⁹ https://www.cqcb.com/rewenzixun/2023-04-11/5230882_pc.html

¹⁰ https://www.sohu.com/a/664354226_120144921

¹¹ <https://baijiahao.baidu.com/s?id=1755236243621847268&wfr=spider&for=pc>

¹² <https://baijiahao.baidu.com/s?id=1753349760507183541&wfr=spider&for=pc>

¹³ https://business.sohu.com/a/669862320_121123915

¹⁴ http://m.ce.cn/yw/gd/202304/23/t20230423_38514118.shtml

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2023:

Continued ramp-up and expansion of existing GI plants, namely:

- Continued ramp-up of 10 existing projects in operation, driven by the mandatory location and/or relocation of new factories into industrial parks, expansion of coverage area, and/or organic growth of customers and industrial parks.
- Expansion of capacity of certain existing plants, namely Yongxing Project's solid waste JV plant, launch of Shantou Project Phase 2, and Jining Project Phase 2.
- Expected start of operation of Shanxi Xinjiang Project.

Continued execution of holistic strategy to further enhance profitability, namely:

- Leverage the price adjustment mechanism that links feedstock costs to steam prices for more flexibility in raising steam prices.
- Continue to deploy the Mitigation Measures¹⁵ and differentiation strategies¹⁶.
- Explore new business opportunities in the medium to long term.

For 2023 and beyond, Sunpower intends to continue to execute the following two-pronged strategy with an emphasis on the quality of development that amplifies its strengths:

- (1) Solidify its market position as a centralised provider of clean steam through (a) the continuous ramp-up of its existing GI portfolio, supported by further expansion of the coverage areas and customer base of the projects but with less intense capital expenditure; and (b) proceeding with the planned construction of the expansion phases of certain existing projects.
- (2) Focus on the further enhancement of the operation and production of each project to improve efficiency and profitability of the Group. In addition, continuous evaluation of pipeline for quality projects with potential.

Mr. Ma Ming, CEO and Executive Director of Sunpower, commented:

“Following a challenging year in 2022, operating conditions have improved with the receding of the pandemic and the reduced volatility of feedstock prices since the beginning of the year. The new year kicked off on an encouraging note and we recorded strong demand for our steam and a double-digit improvement in our overall financial results.”

“Our comprehensive response to the challenges of FY2022's tough macro conditions and our proven business model have laid a strong foundation for our long-term performance. We will continue to ramp up the utilisation of the operating GI projects by adding customers, expanding coverage area, tapping into the growth prospects of existing customers, and expanding the capacity of certain existing plants to cater to customers' continuous expansion, whilst staying alert to the rise of potential risks such as in the geopolitical arena.”

“Sunpower intends to continue to stay on its sustainable development path that improves shareholders' value. The Group is well placed to benefit from the long-term growth potential of the centralised steam supply industry and circular economy industrial parks in China.”

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Forward-looking Statement

¹⁵ Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

¹⁶ Refer to the 2Q 2022 earnings release dated 11 August 2022 for more information.

This press release includes forward-looking statements and financial information provided with respect to the anticipated future performance and involves 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 Ltd.

Sunpower Group Ltd. (SGX: 5GD.SI) is a leading provider of industrial steam with a sizeable portfolio of 100%-recurring, long-term income-generating Green Investments (“GI”) projects that use innovative integrated environmental-protection technology to facilitate the development of the circular economy and help China to attain its carbon peak and carbon neutrality goals. It was founded in China in 1997 and listed on the Singapore Exchange (SGX) in 2005.

In 2020, Sunpower announced the disposal of its Manufacturing and Services (“M&S”) business for an attractive consideration that unlocked value and improved investment returns for investors. To reward shareholders and bondholders, a substantial Special Dividend of S\$0.2412 a share was declared and paid in 2021. Following the monetisation of M&S, the sole principal business of the Group is the Green Investments (“GI”) business where it has a sizeable portfolio of GI projects that generate 100% recurring, long-term income.

Sunpower is successfully expanding the GI business by leveraging its robust and replicable business model with a unique competitive edge to unlock the long-term growth potential. With the application of innovative technology packages that raise high entry barriers, a proven effective management team to provide leadership and execution capabilities in operations and risk management, and the strong support of strategic investors DCP and CDH, Sunpower is continuously shaping a green future for itself as it takes its green, low-carbon, circular economy GI business to greater heights.

Sunpower actively undertakes the responsibility of promoting the sustainable development of the economy and society and has been recognised by various environmental and industry associations. To date, Sunpower has been included as a member of the China Association of Environmental Protection Industry (中国环境保护产业协会), Renewable Energy Generation Branch of China Electric Power Promotion Council(中国电力发展促进会可再生能源发电分会), Shandong Province Electric Power Enterprise Association (山东省电力企业协会), Energy Association of Jiangsu Province (江苏省能源行业协会), and Jiangsu Association of Environmental Protection Industry (江苏省环境保护产业协会), and as a director member of Hebei Association of Environmental Protection Industry (河北省环境保护产业协会).

For more information, please refer to Sunpower’s investor relations website, <http://sunpower.listedcompany.com/>.

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