

Sunpower records strong GI recurring revenue growth of 50.3% YoY with steam sales volume up 45.2% in FY2021

Results Highlights

- **Ramp-up of GI projects drove strong resilient growth in FY2021**
GI projects continued to ramp up, supported by very strong demand for steam
Total steam sales volume rose 45.2% YoY to record 7.93 million tons
GI recurring revenue rose 50.3% YoY to record RMB2,007.3 million
GI recurring EBITDA fell 3.9% YoY to RMB469.0 million
- **Proven ability to generate long-term recurring cashflows intact despite temporary headwinds**
GI operating cashflow rose 44.0% YoY to RMB270.6 million in 2021
B2B model and customer prepayment ensure long-term cashflow generation capability
- **Group results boosted by gain on disposal of M&S business and resilient GI results**
Group PATMI rose 15.6% YoY to RMB435.8 million
Payment of SGD0.2412 Special Dividend was completed in 2021

Singapore, 27 February 2022 – Mainboard-listed Sunpower Group Ltd. (“中圣集团”, “Sunpower” or the “Group”), a leading provider of clean industrial steam with a sizeable portfolio of 100%-recurring, long-term, cash-generating Green Investments (“GI”) projects that use innovative integrated environmental-protection technologies to facilitate the development of circular economy industrial parks through its centralized steam facilities, announced its results for the financial year to 31 December 2021 (“FY2021”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds and Warrants)

RMB million	FY2020	FY2021	YoY chg
GI recurring revenue ¹	1,335.1	2,007.3	50.3%
GI recurring EBITDA ²	488.3	469.0	-3.9%
GI recurring PATMI ³	198.8	135.7	-31.7%
GI operating cashflow ⁴	187.9	270.6	44.0%

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI operating cashflow” to reflect the true operating results of the GI business. This document should be read in conjunction with the comprehensive financial results statements released at the same time.

¹ GI recurring revenue refers to recurring revenue generated by the GI business. It excludes one-time contributions from internal EPC services for BOT projects that are provided by the Group’s internal project management department, recognised in accordance with *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 M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time contributions from internal EPC services for BOT projects 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 true operating results of the GI business.

³ GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time revenue contributions from internal EPC services for BOT projects 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 profit of GI business attributable to the Group.

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

Group Financial Highlights (Without Financial Effects of Convertible Bonds and Warrants)

RMB million	FY2020	FY2021	YoY chg
Group PATMI ⁵	377.0	435.8	15.6%
Group EPS (RMB cents) ⁶	47.8	54.9	14.9%
Group underlying operating cashflow ⁷	535.9	243.4	-54.6%

Key Investment Highlights

- Leading provider of industrial steam with development strategy aligned with national policies**
 Within 3 years from the first CB issuance in 2017, Sunpower has scaled up to 9 projects in operation, 1 in trial production and 1 under construction with a proven track record, leading market position and strong brand equity. Its long-term growth strategy is aligned with national policies on CO₂ reduction, energy conservation and smog control. Multiple pollution sources can be eliminated with just one centralised GI plant within a circular economy industrial park that helps the park attain zero emissions and allows Sunpower to increase revenue and reduce cost.
- Superior GI business model that generates 100%-recurring, long-term income and cash flows**
 GI's superior business model is based on exclusive concessions of typically 30 years with first right to renew that confer a strong market position to supply steam, a non-discretionary input product, to a large base of customers that provides resilient counter-cyclical demand, bolstered by technologies that act as entry barriers against competition. Direct B2B arrangements with customers enable GI plants to require either pre-payment or immediate post-payment, and a contractual fuel cost pass-through mechanism that allows reliable long-term profitability across cycles.
- Excellent financial performance with high margins and strong cash generation**
 Sunpower has proven its ability to sustain excellent financial performance with high profitability and strong cash generation.
- Well-positioned to gain long-term growth potential**
 Sunpower is well-positioned to benefit from customers' natural organic growth as the mandatory closures of small dirty boilers redirect steam demand to its clean centralised GI plants and as more factories relocate to industrial parks served by GI plants. Long-term sustainable 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 it does. In this way, it supports the ecologically sustainable development of China's economy, and aims to help China achieve its national CO₂ emission 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 and a refined and standardised management approach.
- DCP and CDH are strategic institutional investors that support the group**
 They are among the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies in China.

⁵ Group PATMI refers to the "Profit/(Loss) for the period" in the "WITHOUT financial effects of Convertible Bonds and Warrants" column of the P&L statement, which adjusts "Profit/(Loss) for the period" in the "WITH financial effects of Convertible Bonds and Warrants" column for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

⁶ Based on Group PATMI and weighted average number of outstanding ordinary shares of 794.6 million in FY2021 and 793.2 million in FY2020.

⁷ Group underlying operating cashflow excludes CB interest of RMB21.0 million in FY2021 and RMB22.7 million in FY2020.

9 Projects in Operation and 1 in Trial Operation



Financials

Sunpower's GI business saw robust demand for steam by industrial customers continue unabated in FY2021, as evidenced by the strong ramp-up of existing projects including Shantou Project Phase 1⁸. Total steam sales volume grew 45.2% YoY to a record high of 7.93 million tons, a firm testament to its leading position as an industrial steam supplier in China.

As a result, GI recurring revenue grew 50.3% YoY to RMB2,007.3 million. Despite the extraordinary rise of the feedstock price in 2021, strong operational management capabilities, implementation of mitigation measures and the price formation mechanism that links the cost of feedstock to the price of steam have allowed the Group to keep GI recurring EBITDA robust at RMB469.0 million, while GI recurring PATMI stayed positive at RMB135.7 million for FY2021. GI operating cashflow grew 44.0% YoY to RMB270.6 million, which continues to demonstrate the GI projects' ability to generate strong recurring cashflow.

The resilient GI results were achieved despite cost pressures on the production operations of the GI projects caused by a surge in feedstock price amidst the continuous across-the-board uptrend in commodity prices in 2021. This is proof of the success of the various measures that the Group has undertaken to navigate this headwind, such as raising steam prices with customers, controlling unit material consumption, pursuing cost savings through blended combustion of sludge and other wastes and by increasing steam transmission efficiency, and successful expansion of customer base that drove stronger-than-expected growth in demand.

The Group remains in a strong position to benefit from the long-term development of industrial parks as it has a strong supplier role in the provision of steam, a non-discretionary production input, to industrial users. The Group expects to continue to generate a high Net Present Value (NPV) of high-quality, recurring income and cashflows over the long term.

The M&S business was deconsolidated on 30 April 2021 following the disposal.⁹ Including the substantial gain on disposal recorded in 1H 2021, and expenses incurred by the Company in connection with the disposal such as the excess cash dividend paid to Convertible Bond holders which is recognised as finance cost, project adviser fees and withholding taxes, group PATMI without financial effects of CBs rose 15.6% YoY to RMB435.8 million in FY2021. Excluding these items, group PATMI without financial effects of CBs in FY2021 was RMB154.8 million, which reflects the operating results of the Group. Group underlying operating cash flow was a robust RMB243.4 million.

⁸ Shantou Phase 1 became operational in 4Q 2020

⁹ Due to the disposal, the M&S business contributed 4 months to the group financial results in FY2021 vs 12 months in FY2020

GI Project Updates

Sunpower supplies industrial steam to a diverse range of industries supported by structural demand. It also provides pollution-free civil heating to a large base of households, and electricity to the State Grid. The Group is a leader in the industry of centralised steam facilities and a pioneer in facilitating the development of circular economy industrial parks that are promoted by the “14th Five-Year Plan for Circular Economy Development” of the NDRC.

Updates on Shantou Project:

Shantou Project is Sunpower’s 51%-owned steam and electricity cogeneration plant in the Shantou Textile Circular Economy Industrial Park in Chaonan District of Shantou City, Guangdong Province (the “Park”) with a 38.5 year concession.

- **Phase 1 is now in full operation due to the strong demand for clean steam from the customers that have been relocated into the Park.**
- **One boiler of Phase 2 is now in trial production and the Group is working hard to bring other boilers online as soon as possible in order to meet the strong demand.**
- **New revenue streams have been added, e.g. compressed air and waste products; sludge incineration services for the downstream sewage plant.**

As a centralised clean steam provider, Shantou Project has replaced many pollutive high-emission boilers along the Lianjiang River, and is one of the key water pollution control and alleviation measures developed to clean up the heavily-polluted Lianjiang River. It employs the circular economy model to achieve ultra-low emissions in the Park which was specially built to accommodate 128 printing & dyeing companies that relocated from their previous sites along the river into the Park on an accelerated basis. By helping the companies achieve sustainable development and helping the Park achieve ultra-low emissions, Sunpower contributes to China’s sustainable economic development and its national carbon peak and neutrality targets.



- **Xintai Zhengda Project:** Two boilers with nameplate capacity of 2x130 tons/hour have commenced operations in addition to the biomass boiler that has been ramping up since 4Q 2020.
- **Yongxing Plant:** JV established to produce and supply industrial steam using general solid waste as feedstock, which will diversify the Group’s feedstock mix.
- **Xinyuan Plant:** The city heating network system for the new concession area in Jimo International Trade Park has been completed and heat supply is planned to start in the heating season of 2022.
- **Tongshan Project:** The plant has commenced trial production.
- **Shanxi Xinjiang Project:** Construction is progressing smoothly and the plant is expected to start operations in 2022.
- **Other projects:** Continuously upgrading and reforming and using suitable substitute feedstock to reduce fuel and power consumption costs.

- **Sizeable GI portfolio:**
 - 9 existing plants in operation
 - 1 new plant in trial production
 - 1 new plant under construction
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines has reached ~372 km (up ~70 km YoY), enhancing defacto project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: 525 (up 84 YoY)**



Outlook

The National Development and Reform Commission (NDRC) and National Energy Administration (NEA) recently met with key industry players to require them to stabilise feedstock prices.¹⁰ With such efforts ongoing, more market forecasters now expect a better supply and demand structure for feedstock and for future price increases to be limited and price volatility to narrow.¹¹ Further, the pandemic remains under control in China due to its dynamic Covid-19 control policy which has seen swift, prompt and precise measures taken to keep local outbreaks under control.

Barring unforeseen circumstances, the Group expects the business trends summarized below to benefit its business in FY2022. Please note that Sunpower’s financial results¹² should be viewed on a 12-month basis to arrive at a balanced perspective.

Continued ramp-up and enhancement of each existing GI plant, namely:

¹⁰ https://www.cs.com.cn/zzqh2020/202202/t20220210_6241293.html

¹¹ Research reports by Shengang Securities and Far East Research

¹² Under the terms of the Amendments to the Convertible Bond Purchase Agreements, the performance target for the financial year ended 31 December 2021 (“FY2021”) has been replaced with a new performance target for the financial year ended 31 December 2022 (“FY2022”). Refer to the 31 March 2021 circular to shareholders for more details.

- Continuous connection of new customers, following mandatory closures of small dirty boilers, mandatory location and/or relocation of new factories into industrial parks, expansion of coverage area, and/or organic growth of customers and industrial parks served by the Group's GI plants.

Additional contributions from expansion of existing plants and new plants, namely:

- Expected production launch of Shantou Project Phase 2.
- Xintai Zhengda Project where two additional boilers have commenced operation in early 2022.
- Tongshan Project which has commenced trial production.
- Shanxi Xinjiang Project which is expected to start operations in 2022.

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

- Leverage on the cost pass-through mechanism with greater flexibility and reduction of feedstock price volatility to achieve a new equilibrium in profitability.
- Continue to deploy cost-reduction strategy using measures such as controlling unit material consumption, stocking up more when the feedstock price is conducive, diversification of feedstock mix including blended consumption of sludge and other wastes, and optimisation in steam transmission efficiency.

For 2022 and beyond, Sunpower intends to continue to execute the following two-pronged strategy with emphasis on the quality of development that amplifies its strengths:

- (1) Solidify its market position as an environmentally-clean centralised provider of 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; (b) proceeding with the planned construction of the expansion phases of certain existing projects; (c) continuous closure of small "dirty" boilers; and (d) the continuous cultivation of the earnings quality and asset returns of existing projects.
- (2) Tap into its proven ability to identify and invest in additional promising GI projects that meet the investment hurdles of the Company.

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

"In FY2021, GI revenue and GI operating cashflow recorded a double-digit rise to record levels despite macro cost pressures that are beyond everyone's control. This is due to the tireless efforts made by our disciplined management team and the proven success and advantage of the GI business model. The results therefore continued to testify to the resilient nature of the GI business and its strong growth potential.

Although 2021 was challenging, it has made the company stronger as our various mitigation measures have yielded positive results. Our disciplined management and leadership have also learned many lessons that will stand the company in good stead in future. Further, steam demand in 2022 still looks strong and we will have additional capacity coming online that can take advantage of the demand. All these factors put us in a good position to generate a high Net Present Value (NPV) of high-quality, recurring income and cashflows over the long term.

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Forward-looking Statement

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.

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 cash-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 disposed 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, high-quality income and cashflow.

Sunpower is successfully expanding the GI business by leveraging on its robust and replicable business model with 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 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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