

Sunpower records strong GI recurring revenue growth of ~68% with GI operating cashflow up ~240% YoY in 9M 2021

Results Highlights

- **GI projects maintained strong resilient growth in 9M 2021**
GI projects continued to ramp up, including Shantou Phase 1
Total steam sales volume maintained strong growth momentum, +72.0% YoY to 5.88 million tons
GI recurring revenue rose 67.6% YoY to record RMB1,392.6 million
GI recurring EBITDA rose 34.9% YoY to RMB408.0 million
GI recurring PATMI rose 2.8% YoY to RMB127.7 million
GI operating cashflow rose 239.7% YoY to RMB181.2 million
- **Proven ability to generate long-term recurring cashflows intact despite temporary headwinds**
Company has taken mitigation measures, including raising steam prices
Demand from downstream customers remained strong throughout the period
- **Group results boosted by gain on disposal of M&S business and resilient GI results**
Group PATMI rose 54.0% YoY to RMB429.2 million
Group underlying operating cash flow rose 87.2% YoY to RMB295.1 million

Singapore, 10 November 2021 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of industrial steam with a sizeable portfolio of 100%-recurring, long-term, cash-generating Green Investments (“GI”) projects that uses innovative integrated environmental-protection technologies to facilitate the development of the circular economy and help China attain carbon peak and carbon neutrality, today announced its financial results for the three months and nine months to 30 September 2021 (“3Q 2021”, “9M 2021”).

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

RMB million	9M 2020	9M 2021	YoY chg
GI recurring revenue ¹	830.9	1,392.6	67.6%
GI recurring EBITDA ²	302.5	408.0	34.9%
GI recurring PATMI ³	124.3	127.7	2.8%

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.

GI operating cashflow ⁴	53.4	181.2	239.7%
------------------------------------	------	-------	--------

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

RMB million	9M 2020	9M 2021	YoY chg
Group PATMI ⁵	278.7	429.2	54.0%
Group EPS (RMB cents) ⁶	35.3	54.1	53.2%
Group underlying operating cashflow ⁷	157.6	295.1	87.2%

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 and 2 in 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**

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

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 791.8 million in 9M 2020 and 793.3 million in 9M 2021.

⁷ Group underlying operating cashflow excludes CB interest of RMB21.0 million in 9M21.

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.



Financials

Sunpower's GI business has seen strong demand for steam by industrial customers. Total steam sales volume grew 72.0% YoY to a record high of 5.88 million tons in 9M 2021 and 69.6% YoY to 1.95 million tons in 3Q 2021.

As a result, GI recurring revenue grew 67.6% YoY to RMB1,392.6 million, driven by the ramp-up of Shantou Project Phase 1⁸ and other high-quality GI projects. GI recurring EBITDA grew 34.9% YoY to RMB408.0 million and GI recurring PATMI grew 2.8% YoY to RMB127.7 million. GI operating cashflow grew 239.7% YoY to RMB181.2 million, demonstrating the GI projects' ability to generate strong recurring cashflow.

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 54.0% YoY to RMB429.2 million in 9M 2021. Excluding these items, group PATMI without financial effects of CBs in 9M 2021 was RMB149.6 million, which reflects the operating results of the Group. Group underlying operating cash flow rose 87.2% YoY to RMB295.1 million.

The 9M 2021 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 this year, and the operational constraints faced by some of the Group's downstream customers caused by the start of power rationing in several provinces toward the end of September 2021.

The surge in feedstock price is exceptional. The Group has taken various measures to navigate these headwinds such as raising steam prices with customers, controlling unit material consumption, stocking up feedstock when prices are conducive, pursuing cost savings through blended combustion of sludge and other wastes and by increasing efficiency, and adding new customers.

The Group continues to generate a high Net Present Value (NPV) of high-quality, recurring income and cashflows over the long term. 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.

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 9M 2021 vs 9 months in 9M 2020

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.

Tongshan Project:

- **The construction of Sunpower's biomass GI plant is substantially complete and is on schedule for full completion by end-2021.**
- **Diversifies the Group's feedstock mix as Tongshan uses biomass as feedstock, such as bark, straw and other agricultural product waste; part of Group's green development.**

Tongshan Project is Sunpower's biomass cogeneration plant with an exclusive 30-year concession and it is located in Tongshan District of Xuzhou City, an economically-vibrant city in Jiangsu. Tongshan Project is expected to contribute recurring income and cashflows to the Group while simultaneously helping to alleviate environmental pollution and recycle local agricultural waste, as well as realise energy conservation and emission reduction once operational. The project is part of the Group's continuing development as a green company.

Tongshan Project



- **Shantou Project:** Phase 1 is in full production and Phase 2 is expected to come online soon to serve the strong demand from about 128 qualified printing & dyeing companies that have substantially moved into the industrial park.
- **Xintai Zhengda Project:** The biomass boiler currently in operation is being ramped up, while the portion under construction is expected to be completed by the end of 2021.
- **Xinyuan Plant:** The construction of the city heating network system for the new concession area in Jimo International Trade Park will be completed in 2021.
- **Shanxi Xinjiang Project:** Construction of the plant is progressing as planned, and 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 plants in operation
 - 2 plants under construction
 - Robust pipeline
- **Total length of GI pipelines currently:**
> 300km
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Number of GI customer industries: > 20**
- **Current number of customers : ~480**



Outlook

With a portfolio of high-quality GI projects that is still ramping up amidst strong steam demand, Sunpower is well positioned to benefit from China's efforts to achieve its carbon peak and carbon neutrality goals as it is a pioneer in the circular economy and centralised steam facilities that the country is promoting.

The reopening of the global economy has seen the total value of imports and exports rise 22.7% YoY to RMB28.3 trillion in 9M 2021, suggesting rising orders for China manufacturers from overseas customers¹⁰. In addition, China companies are increasingly able to raise prices to pass on rising input costs due to higher commodity prices. The producer price index for manufactured goods rose by 10.7% YoY in September 2021, the highest level in 2021, and 6.7% YoY in the first nine months of 2021.¹¹

The tight energy supply is expected to be progressively alleviated in the long term as the relevant measures introduced by the central government gradually take effect.¹² The National Development and Reform Commission (NDRC) recently stated that the vigorous promotion of the implementation of energy supply and price stabilisation has achieved initial results, and more measures will be taken to ensure energy supply and stable prices.¹³ Thus, the current tight energy supply is expected to be temporary in the longer term, with a reasonable expectation that feedstock price volatility will find relief.

Barring unforeseen circumstances, the Group expects the business trends summarized below to benefit its business in FY2021. Please note that Sunpower's financial results¹⁴ should be viewed on a 12-month basis to arrive at a balanced perspective.

Mitigation measures have been taken against higher feedstock price, namely:

- Steam prices have been raised and the steam price adjustment period has been shortened, while feedstock price will be closely monitored.

¹⁰ <https://enapp.chinadaily.com.cn/a/202110/19/AP616e064ca310b7d50bab4d8c.html>

¹¹ http://www.stats.gov.cn/english/PressRelease/202110/t20211015_1822928.html

¹² <http://www.scio.gov.cn/xwfbh/xwfbh/wqfbh/44687/47182/wz47184/Document/1714692/1714692.htm>

¹³ https://www.ndrc.gov.cn/fzggw/jgsj/yxj/sjdt/202110/t20211019_1300082.html?code=&state=123

¹⁴ 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.

- Additional measures include controlling unit material consumption, stocking up more when the feedstock price is conducive, pursuing cost savings through blended consumption of sludge and by increasing efficiency, and adding new customers.

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

- 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.
- Changrun Project has started to supply Sanli under its 25-year exclusive supply contract from May 2021 following the completion of the connecting pipeline.

Anticipated additional contributions from new plants, namely:

- Shantou Project, where Phase 1 is in full operation, while Phase 2 construction is expected to be completed soon.
- Xintai Zhengda Project, where the biomass boiler that is currently in commercial operation will continue to be ramped up, while construction of the remaining part is expected to be completed in 2021.
- Tongshan Project, where construction of Phase 1 is expected to be completed in 2021.

For 2021 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, and
- (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, Executive Director of Sunpower, commented:

"We are pleased that our 9M 2021 results continued to reflect the strong growth potential of the GI business with a double-digit rise in GI revenue and GI EBITDA profits despite the macro cost pressures that are beyond the control of the Group. We appreciate the great efforts that have been made by our disciplined management team throughout this period.

Feedstock prices as at the date of this announcement remain at a relatively higher level compared to a year ago, and this may continue to lead to some pressures on the production operations in the short term. In addition to the mitigation measures already taken, the Group is prepared to explore more measures to better position it to achieve long-term sustainable development.

However, the Group believes that the current headwinds are temporary and the light of rationality is already appearing at the end of the tunnel. Going forward, we will leverage on all of our resources to steer the development of the GI business and be armed with more measures to combat any potential headwinds. Our solid fundamentals and reliable business model that generates long-term, recurring,

high-quality cashflow position us well to support the various measures that we have taken to achieve long-term sustainable development.”

-END-

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/>.

August Consulting (Singapore)	
Silvia Heng	Jeremy Sing
Email: silviaheng@august.com.sg	Email: jeremysing@august.com.sg
Phone: +65 6733 8873	Phone: +65 6733 8873



To subscribe to Telegram updates, please scan the QR code above or email your name and preferred email address to ir@sunpower.com.cn for email updates.