

Sunpower's GI recurring PATMI rises 83.6% YoY to RMB254.8 million in 9M 2023

Key Highlights

- Continued to achieve strong growth in 9M 2023 as GI business has started to bounce back from pandemic and other cumulative challenges of past three years

Total steam sales volume rose 9.7% YoY to 7.45 million tons in 9M 2023

GI recurring revenue rose 14.7% YoY to RMB2,374.2 million

- Greater growth in profit mainly due to GI project ramp-up, solid execution of price adjustment mechanism, benefits of economies-of-scale, and enhancement of operational efficiency etc.

GI recurring EBITDA rose 46.2% YoY to RMB709.8 million

GI recurring PATMI rose 83.6% YoY to RMB254.8 million

- GI asset portfolio is proven to be valuable with superior business model, and is well positioned for the continued growth in the future

Singapore, 9 November 2023 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam and industrial services through a sizeable portfolio of centralised Green Investments (“GI”) projects that generate long-term and recurring income, announced its results for the nine months to 30 September 2023 (“9M 2023”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	3Q 2022	3Q 2023	YoY Chg	9M 2022	9M 2023	YoY Chg
Total steam sales volume (mil tons)	2.25	2.48	10.2%	6.79	7.45	9.7%
GI recurring revenue ¹	710.6	771.8	8.6%	2,069.7	2,374.2	14.7%
GI recurring EBITDA ²	180.6	269.7	49.3%	485.4	709.8	46.2%
GI recurring PATMI ³	51.8	110.6	113.4%	138.8	254.8	83.6%
GI operating cashflow ⁴	-79.7	-8.3	n/a	136.7	190.7	39.5%

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 Third Quarter and Nine Months Ended 30 September 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 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 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.

Investment Highlights

➤ **Leading provider of industrial steam with development strategy aligned with national policies**

- Sunpower's long-term growth strategy is aligned with national policies to promote carbon peaking and carbon neutrality, and the clean and efficient utilisation of feedstock.
- Centralised steam facilities operating at high efficiency enable energy conservation and emission reduction, as promoted by national policies.
- 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.

➤ **GI business model proven to generate reliable recurring income over the long term**

- GI projects typically have exclusive operating concessions of 30 years (with first right to renew) and extensive networks of pipelines that enhance *de facto* exclusivity.
- GI projects also typically have B2B arrangements with end-customers, with a contractual price adjustment mechanism with industrial users that enables reliable profitability in the long term.
- Structural growth drivers include the continuous relocation of customers into industrial parks, the organic expansion of customers, and the long-term structural expansion of the industrial parks.
- All these confer a strong market position to supply steam, a non-discretionary input product, to a large base of captive customers that provides resilient demand, bolstered by technologies that act as entry barriers against competition.

➤ **Strong financial performance with significant growth**

- Proven GI business model has enabled a quick recovery in 2023 from the significant challenges of the past few years with significant growth and improvement in profit margins.
- Despite impact of challenges of tough macro-economic conditions caused by various significant events in 2020-2022, total steam sales volume rose by a CAGR of 20.4% and GI recurring revenue increased by a CAGR of 35.6% in FY2019 to FY2022.
- Unaudited GI recurring EBITDA increased from RMB450.3 million in FY2021 to RMB598.0 million in FY2022. In 9M 2023, GI recurring EBITDA reached RMB709.8 million, exceeding the whole of FY2022.

➤ **Well positioned to capture long-term growth potential**

- The structural growth of customers and industrial parks due to mandatory closures of small dirty boilers and relocation of factories into industrial parks can be expected to drive GI projects' continued growth.
- Large addressable market and strong project pipeline are expected to fuel further growth over the long term, leveraging on the replicable business model and unique competitive edge of the Group.

➤ **Practises ESG and sustainability values in every aspect**

- Sunpower commits to better sustainability in its business by incorporating environmental, social and governance (ESG) values in every aspect.
- 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**

- Key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined management approach.
- Centralised management model that integrates resources for better technological innovation, transformation and refined management, as well as good control of procurement cost and oversight of a sizeable portfolio of GI projects across China.

➤ **Strong institutional investors that support the group**

- CDH and DCP invested US\$130 million in Sunpower through convertible bonds issued to-date.
- 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.

10 Projects in Operation, 1 Project in Trial Operation



Financials

Following China's post-pandemic reopening, domestic consumption of basic consumer goods saw significantly better performance. As one of the GI business's growth drivers, the increase in demand for clean industrial steam by customers in such industries, the majority of which focus on the vast domestic China market, has facilitated the continued ramp-up of the GI projects.

In 9M 2023, total steam sales volume maintained its growth momentum, rising by 9.7% YoY to 7.45 million tons. Meanwhile, GI recurring revenue rose 14.7% YoY to RMB2,374.2 million, with the growth mainly attributed to higher industrial steam sales volume and continued execution of the price adjustment mechanism that links feedstock cost to industrial steam price.

The profitability of the GI business grew faster than the growth in steam sales volume and revenue. GI recurring EBITDA rose 46.2% YoY to RMB709.8 million in 9M 2023, exceeding the whole of FY2022, while GI recurring PATMI rose 83.6% YoY to RMB254.8 million. Profit margins significantly improved on the back of comprehensive reasons, including the continued ramp-up of GI projects, solid execution of the price adjustment mechanism, the emergence of beneficial economies of scale, and the enhancement of operating efficiency via technological transformation and refined management of the GI plants.

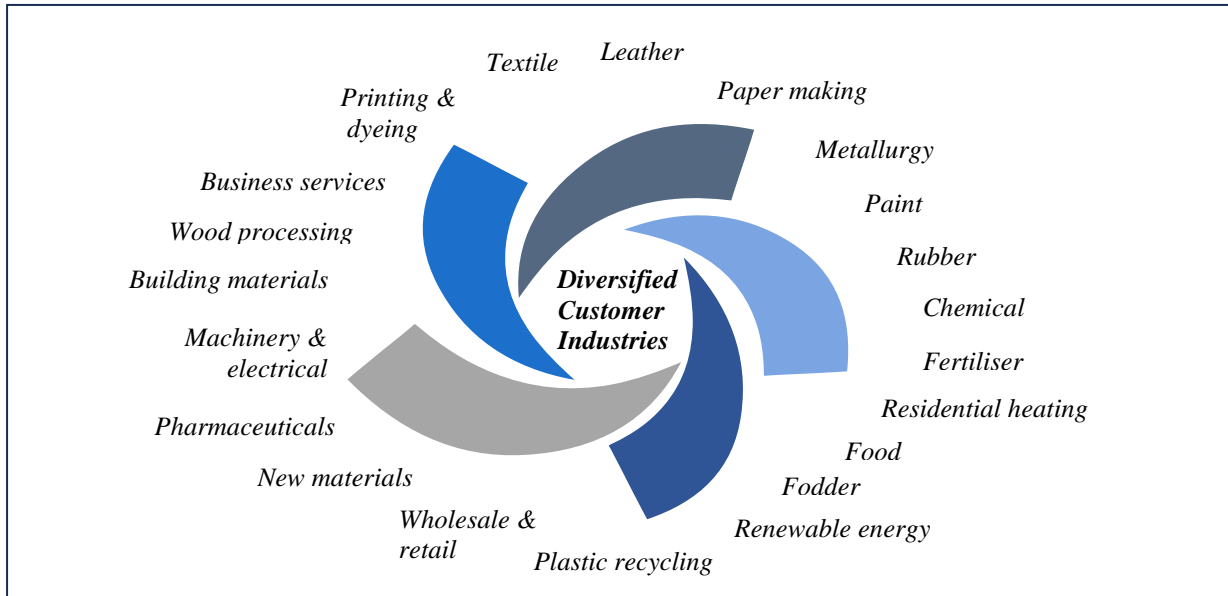
GI operating cash flow also improved 39.5% YoY to RMB190.7 million in 9M 2023.

The strong performance of the GI business is proof of the reliability of the business model and the correctness of the business strategy that have helped the Group deal with the various challenges. In addition, the extensive experience gained by management has helped the Company bounce back quickly and achieve significant growth. Despite the mixed operating environment, Sunpower is still able to sustain positive momentum in sales and achieve significant growth in profitability.

GI Business Updates

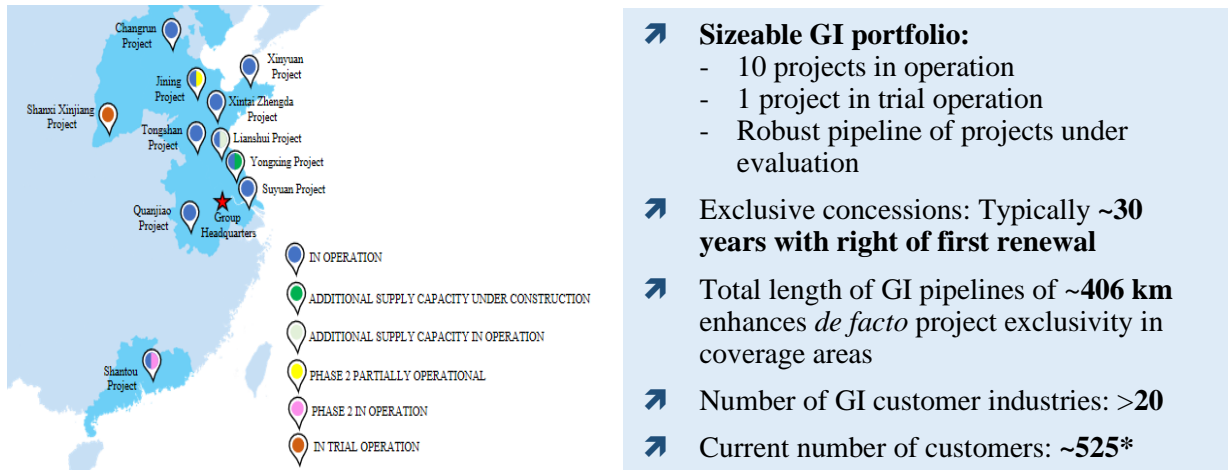
The Group is a leading company in the industry of centralised steam facilities and a pioneer in facilitating the development of circular economy industrial parks promoted by the "14th Five-Year Plan for Circular Economy Development" of the National Development and Reform Commission (NDRC).

Sunpower supplies industrial steam to a large and diversified captive customer base that spans more than 20 industries. These include customers in industries that provide basic consumer products to the vast domestic market of China.



In addition, the GI projects are strategically located in industrial parks that have strong economic viability in economically developed areas or have industry clusters of excellence. They are also exclusive suppliers in their coverage areas due to exclusive operating concessions and *de facto* exclusivity enhanced by extensive networks of valuable steam distribution pipelines.

Sunpower also 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.



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

Updates on GI Projects:

- **Changrun Project:** Industrial steam sales volume continues to grow, bolstered by demand for basic consumer goods that has been boosted by the post-pandemic reopening.
- **Yongxing Plant:** Its JV plant is expected to commence operation in 2023.
- **Lianshui Project:** The construction of its natural gas boilers has been completed and are in operation.
- **Tongshan Project:** Pipelines to several new industrial steam customers are under construction.
- **Xintai Zhengda Project:** Heating steam supply is expected to commence in mid-November 2023. Through technological reform, operating efficiency is expected to improve in the 2023 heating season compared to 2022.

- **Quanjiao Project:** The construction of pipelines for newly relocated customers is expected to be completed soon.
- **Shanxi Xinjiang Project:** In trial operation.

Outlook

Domestic consumption was reported to have improved in industries where the GI business has industrial steam customers, such as consumer goods and hospitality. Industrial sectors, which have maintained stable recovery since the economic reopening in early 2023, saw faster value-added growth in August and September.⁵ As for feedstock, prices stayed within a broad range in 9M 2023 and have generally declined from 2022.⁶

The outlook for the Group remains encouraging as of November 2023 and barring unforeseen circumstances, demand for industrial steam is expected to remain resilient. The Group is focused on improving the profitability of its GI projects and cash flows, leveraging on its reliable business model.

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

Continued ramp-up of existing GI plants, namely:

- Continued ramp-up of 10 projects in commercial operation, driven by the continuous relocation of new factories into industrial parks, expansion of coverage area, organic growth of customers and/or long-term structural development of industrial parks.
- Yongxing Plant's general solid waste JV plant which is expected to commence operation in 2023.
- Shanxi Xinjiang Project is in trial operation and is expected to ramp up in future.

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

- Continue to execute the price adjustment mechanism.
- Enhance efficiency via technological transformation and refined management of GI plants.
- Leverage the beneficial economies of scale in the GI business.
- Continue to deploy the Mitigation Measures⁸ and differentiation strategies⁶.
- Explore new business opportunities in the medium to long term.

Pertaining to the GI business, 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 by (a) continuously ramping up its existing GI portfolio through further expansion of coverage areas and customer base but with less intense capital expenditure; and (b) ramping up the incremental capacity of certain existing projects, such as Yongxing Plant's solid waste JV plant when it commences operation and Phase 2 of Jining Project.
- (2) Enhance further the operation and production of each project to improve the Group's efficiency and profitability. In addition, evaluate the pipeline continuously for quality projects with potential.

With reference to the extension of the maturity date of the Convertible Bonds (the "CBs") by two years to April 2025, amongst other amendments, this was approved by shareholders at a Special General

⁵ <https://www.china-briefing.com/news/china-q3-2023-economic-roundup-gdp-growth-beats-forecasts/>

⁶ <https://baijiahao.baidu.com/s?id=1778188484554246989&wfr=spider&for=pc>

⁸ The Mitigation Measures include but are not limited to adjusting steam prices with customers; diversifying the feedstock mix to include biomass, sludge and general solid waste; continued implementation of the cost-reduction strategy of controlling unit material use; stocking up on feedstock when prices are conducive; optimisation of steam transmission efficiency; strengthening the ramp-up of GI plant utilisation by connecting to more customers; and further reinforcing the refined management of the plants.

⁶ Sunpower has been proactively implementing various differentiation strategies across its GI project portfolio to realise the medium to long term growth potential of each GI project, depending on the unique characteristics of each industrial park.

Meeting on 28 July 2023. During the extension period, Sunpower will focus on strategising and exploring options to raise the required funds for redemption, including but not limited to seeking new investors, additional equity or debt fundraising, a strategic review of the Group's existing operations and financials, and monetisation of certain GI Projects.

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

“Our GI business has seen a quick and strong recovery from the challenges of the past three years. This is evident by our strong 9M 2023 financial performance which has been achieved due to the tireless efforts of our management. It is a testament to the correctness of our strategy, the resilience of our business model and the effectiveness of our refined management which allow us to deliver on our promises and build on our strong track record.”

He added, “With the proven ability of our GI business to quickly bounce back from challenges and continue to generate high-quality, long-term recurring income, we believe our GI projects are valuable assets. The Company is on track in its current focus on strategising and exploring options to tackle the outstanding CB issues.”

He concluded, “Meanwhile, Sunpower intends to stay committed to improving shareholders' value. In the short-term, we will continue to ramp up the utilisation of the operating GI projects, especially the expanded capacity of certain existing plants that will come online or have just been put into use, whilst staying alert to the rise of potential risks on the geopolitical or economic fronts. In the long-term, we are well placed to benefit from the growth potential of the centralised steam supply industry and the development of ESG in all aspects.”

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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 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). In March 2023, Jiangsu Sunpower Clean Energy Co., Ltd was named as the “Advanced Unit for Green and Low-Carbon Development of the Thermoelectric Industry under the 14th Five-Year Plan” (十四五热电产业绿色低碳发展先进单位).

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

August Consulting (Singapore)	
Silvia Heng	Alan Lee
Email: silviaheng@august.com.sg	Email: alanlee@august.com.sg
Phone: +65 6733 8873	Phone: +65 6733 8873



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