

Sunpower’s total steam sales volume hits record high of 10.47 million tons and GI recurring PATMI rises 114.9% YoY to RMB340.0 million in FY2023

Key Highlights

- **Strong growth in demand for clean steam as GI business bounced back from pandemic and other cumulative challenges of the past three years.**

Total steam sales volume rose 20.6% YoY to record high of 10.47 million tons in FY2023

GI recurring revenue rose 13.2% YoY to RMB3,261.5 million

- **Greater growth in profit due to GI project ramp-up, benefits of economies-of-scale, well-executed price adjustment mechanism, and refined management practices, etc.**

GI recurring EBITDA rose 58.0% YoY to RMB944.8 million

GI recurring PATMI rose 114.9% YoY to RMB340.0 million

- **All 11 projects in commercial operation after the completion of Shanxi Xinjiang Project’s trial production at the end of 2023.**

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

Singapore, 28 February 2024 – 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 financial year to 31 December 2023 (“FY2023”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	4Q 2022	4Q 2023	YoY Chg	FY 2022	FY 2023	YoY Chg
Total steam sales volume (mil tons)	1.89	3.02	59.7%	8.68	10.47	20.6%
GI recurring revenue ¹	811.1	887.4	9.4%	2,880.8	3,261.5	13.2%
GI recurring EBITDA ²	112.6	235.0	108.7%	598.0	944.8	58.0%
GI recurring PATMI ³	19.4	85.2	338.7%	158.2	340.0	114.9%
GI operating cashflow ⁴	227.4	337.2	48.3%	364.1	527.9	45.0%

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 Six Months and Full Year Ended 31 December 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 remuneration of employees 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 development strategy is aligned with national energy and environment policies that facilitates China's Carbon Peak and Carbon Neutrality goals.
- The Group enables energy conservation and emission reduction through application of the circular economy model and development of highly efficient centralised steam generation facilities.
- "Multiple" pollution sources can be eliminated with just "one" centralised GI plant that helps industrial parks and their enterprises comply with emission standards. This will also help the park to attract new investments that in turn benefit steam demand.

➤ **GI business model proven to generate long-term high-quality recurring income**

- GI projects have exclusive concession rights of ~30 years (with first right to renew) and extensive pipeline networks that enhance *de facto* exclusivity in their coverage areas.
- They typically operate on a B2B model with end-customers, with a contractual price adjustment mechanism that links feedstock costs to industrial steam prices and ensures long term profitability.
- Structural growth drivers include organic expansion of customers, continuous closure of small dirty boilers that drive demand to centralised facilities, relocation of new enterprises into industrial parks, and/or long-term structural development of industrial parks that either have strong economic viability or have industry clusters of excellence.
- 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**

- Despite the challenges of tough macro-economic conditions caused by various significant events in 2020-2022, total steam sales volume still rose by a CAGR of 20.4% while GI recurring revenue rose by a CAGR of 35.6% in FY2019 to FY2022.
- By 2023, the proven GI business model had enabled a quick recovery with significant growth in steam sales volume, recurring revenue and PATMI, and significant improvement in profit margins.

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

- Growing steam demand from customers' organic growth, and structural expansion of industrial parks due to mandatory closures of small dirty boilers and relocation of enterprises into industrial parks supports the continued ramp-up of existing GI projects.
- A large addressable market in China and a robust pipeline of projects located in economically developed areas are expected to fuel further growth in the long term.

➤ **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 that promotes efficient resource utilisation and greater conservation and recycling of resources.

➤ **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 integrates resources for better technological innovation, transformation and refined management, as well as good control of procurement cost and oversight of a sizeable project portfolio across China.

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

- CDH and DCP invested US\$130 million 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.

11 Projects in Commercial Operation



Financials

In FY2023, demand for the clean steam of Sunpower’s GI projects remained strong, supported by the resilience of the industrial parks which are either in economically developed areas or have industry clusters of excellence. Total steam sales volume maintained its growth momentum and rose by 20.6% YoY to reach a record high of 10.47 million tons. Concurrently, GI recurring revenue rose 13.2% YoY to RMB3,261.5 million, another record high since the inception of the GI business.

The profitability of the GI business grew faster than the growth in steam sales volume and revenue in FY2023. GI recurring EBITDA reached RMB944.8 million, exceeding FY2022 by 58.0%, while GI recurring PATMI rose 114.9% YoY to RMB340.0 million.

The significant improvement in profitability is attributed to a comprehensive set of factors, including strong demand for clean industrial steam within the coverage areas of the GI projects that underpinned the strong project ramp-up, the emergence of beneficial economies of scale, a well-implemented price adjustment mechanism, and refined management practices and strategic technological upgrades that enhanced project efficiency and profitability.

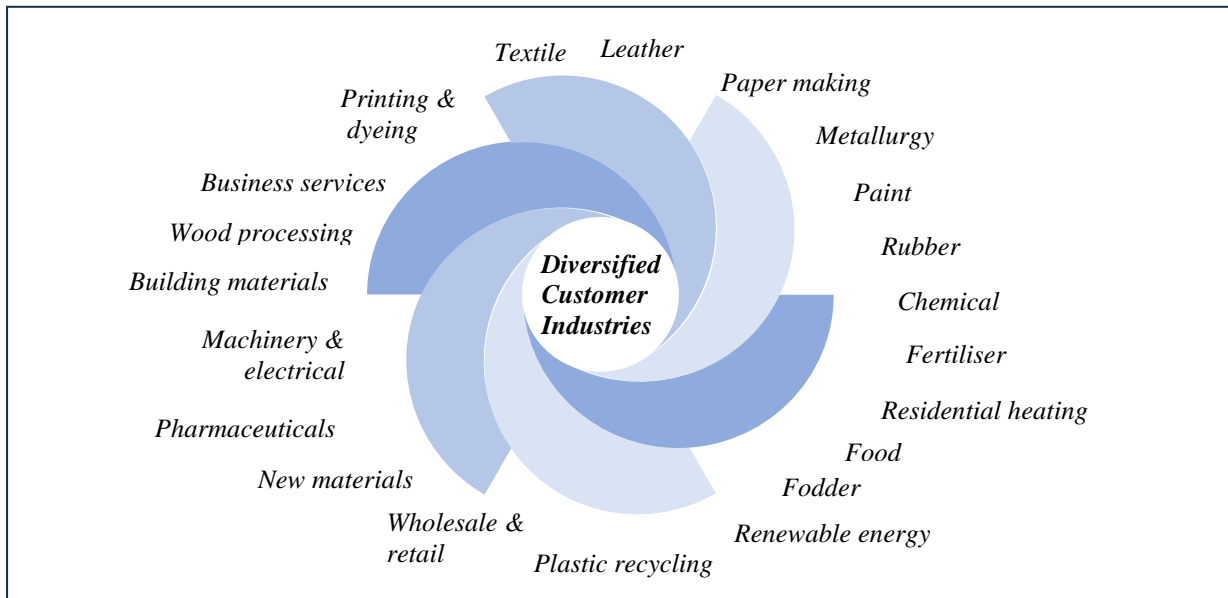
Furthermore, GI operating cash flow improved 45.0% YoY to RMB527.9 million in FY2023.

FY2023 was a breakthrough year for Sunpower. Despite the mixed operating conditions that still carry potential complications, the GI business was able to leverage on its proven business model and refined management practices of its GI projects to achieve positive sales momentum and strong growth in profitability in FY2023. These advantages underlie the growth potential of the GI projects and establish a strong foundation for FY2024 and year ahead.

GI Business Updates

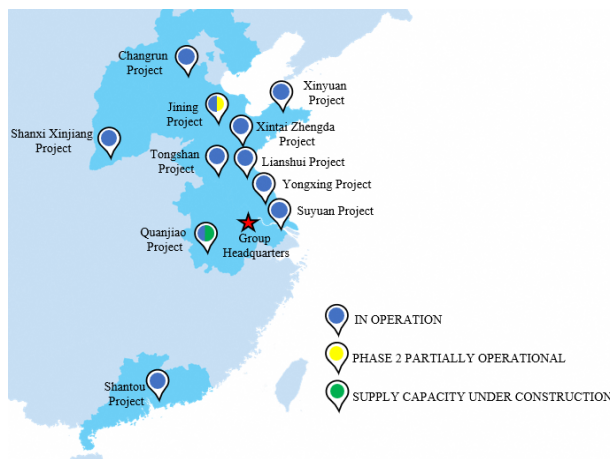
The Group is a leading company in the industry of centralised facilities that supply clean steam and industrial services and a pioneer in facilitating the development of circular economy industrial parks promoted by the “14th Five-Year Plan for Circular Economy Development” of the National Development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

Industrial steam is a non-discretionary input product for the large and diversified captive customer base spanning more than 20 industries that provides resilient demand. Sunpower’s customer base is an integral part of the development of the local infrastructure and economy.



Further, 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.

In addition to industrial steam, 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.



- **Sizeable GI portfolio:**
 - 11 projects in commercial operation
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~406 km enhances *de facto* project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: ~521***

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

Updates on GI Projects:

- **Changrun Project:** Industrial steam sales volume reached a record high, bolstered by demand for basic consumer goods.
- **Yongxing Plant:** General solid waste JV plant has commenced trial operations.
- **Shantou Project:** Several more customers have newly relocated into the park.
- **Quanjiao Project:** Phase 2, comprising a biomass boiler, is being designed and constructed to cater to the additional demand of existing customers and potential new customers that are in the process of relocating and are expected to be relocated into the park.

- **Xinyuan Plant / Xintai Zhengda Project:** Strategically stored feedstock before the start of the heating season to lock in the earnings of the heating business.
- **Suyuan Plant:** Technological upgrades to boiler #3 increased steam generation efficiency.
- **Shanxi Xinjiang Project:** In commercial operation since the end of 2023.

Outlook

Domestic consumption was reported to have improved in industries where the GI business has industrial steam customers, such as basic consumer goods (namely food and clothing⁵, and textiles⁶) and hospitality⁷. Further, the industrial sector saw an increase in value-add in 2023.⁸ As for feedstock, prices were relatively stable in 2023⁹ as the balance of supply and demand gradually improved.¹⁰

The outlook for the Group remains encouraging as of February 2024 and barring unforeseen circumstances, demand for industrial steam is expected to remain resilient. The Group intends to continue to focus on improving the profitability of its GI projects and cash flows, leveraging on its reliable business model and refined management practices.

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2024:

Continued ramp-up of the existing GI plants to solidify market position, namely:

- Continued ramp-up of 11 existing projects in commercial operation, driven by organic growth and ramp-up of customers, mandatory closure of small dirty boilers, continuous relocation of new factories into industrial parks, and long-term structural development of industrial parks.
- Yongxing Plant's general solid waste JV plant is in trial operation, and Shanxi Xinjiang Project is in commercial operation.

Continued execution of holistic strategy to solidify the profitability of the GI business, namely:

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

Pertaining to the GI business, for 2024, 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 and industrial services 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 projects, such as Yongxing Plant's solid waste JV plant, Shanxi Xinjiang Project, Phase 2 of Jining Project and Quanjiao Project.
- (2) Continuously strive to target improvement in the Group's efficiency and profitability by enhancing the operation and production of each project where possible. In addition, evaluate the pipeline for quality projects with potential.

⁵ https://www.stats.gov.cn/english/PressRelease/202402/t20240201_1947120.html

⁶ http://www.ce.cn/cysc/newmain/yc/jsxw/202401/30/t20240130_38885708.shtml

⁷ <https://www.eeo.com.cn/2024/0202/634457.shtml>

⁸ https://www.stats.gov.cn/english/PressRelease/202401/t20240125_1946873.html

⁹ <http://dsmv5.com/jijin/17829.html>

¹⁰ <https://baijiahao.baidu.com/s?id=1786053309250088261&wfr=spider&for=pc>

Pertaining to the Convertible Bonds (the “CBs”), the shareholders approved the extension of the maturity date of the CBs by two years to April 2025, amongst other amendments at a Special General Meeting on 28 July 2023. Sunpower is currently focusing on strategising and exploring options to raise the required funds for redemption. These options include but are not limited to seeking new investors, raising additional equity or debt funding, carrying out a strategic review of the Group’s existing operations and financials, and monetising certain GI Projects.

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

“Our GI business has quickly recovered from the challenges of the past three years. Our strong financial performance in FY2023 is the result of the tireless dedication of the management team, and affirms the resilience of our business model, the effectiveness of our refined management practices and our strategy that distinctly focuses on being a leading provider of clean steam and industrial services as well as a circular economy pioneer that facilitates China’s Carbon Peaking and Carbon Neutrality goals whilst practicing ESG in all aspects.”

He emphasized, “The proven ability of our GI business to rebound quickly from challenges and generate high-quality, long-term recurring income underscores the intrinsic value of our GI projects which we believe are valuable assets. Sunpower remains committed to enhancing shareholders’ value and remains steadfast in its focus on addressing the outstanding CB issues.”

Concluding, he stated, “In the short term, we continue to ramp up GI project utilisation, particularly the expanded capacity of certain existing plants and a new plant that recently commenced operations, while staying vigilant to geopolitical or economic risks. In the long term, we are well positioned to capitalise on the growth potential of the centralised steam supply industry and the evolving ESG landscape.”

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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/>.

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