

## Sunpower records recurring GI revenue growth of 47.0% YoY with steam sales volume up 15.7% in 1H 2022

### Results Highlights

- **GI saw resilient demand from customers and GI recurring revenue grew YoY despite the pandemic in 1H 2022**

*Steam sales volume rose 15.7% YoY to 4.54 million tons as the pandemic gradually entered a calmer stage in 1H 2022*

*GI recurring revenue grew 47.0% YoY to RMB1,359.1 million due to rise of steam sales volume and increase of industrial steam price*

- **GI profits and cashflow in 1H 2022 remained resilient throughout the pandemic and rise in feedstock cost**

*GI recurring EBITDA rose 8.4% YoY to RMB304.8 million from RMB281.3 million in 1H 2021*

*GI recurring PATMI of RMB86.9 million, compared to RMB91.8 million in 1H 2021*

*GI operating cashflow rose 38.7% YoY to RMB216.4 million from RMB156.0 million in 1H 2021*

- **Focused on long-term development and growth leveraging on its superior business model amidst the temporary headwinds**

*Demand from industrial users remains resilient as GI projects are usually located in industry clusters of excellence within economically developed areas*

*Sunpower has built up extensive experience in dealing with dynamic market situations*

Singapore, 11 August 2022 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “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 centralised steam facilities, announced its results for the six months to 30 June 2022 (“1H 2022”).

### GI Financial Highlights (Without Financial Effects of Convertible Bonds & Warrants)

RMB million	2Q 2022	1Q 2022	QoQ Chg	1H 2022	1H 2021	YoY Chg
Steam sales volume (tons)	2.38	2.16	10.2%	4.54	3.93	15.5%
GI recurring revenue <sup>1</sup>	710.4	648.7	9.5%	1,359.1	924.3	47.0%
GI recurring EBITDA <sup>2</sup>	171.3	133.5	28.3%	304.8	281.3	8.4%
GI recurring PATMI <sup>3</sup>	58.2	28.7	102.8%	86.9	91.8	(5.3%)

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 Unaudited Interim Financial Statements for the Second Quarter and Six Months Ended 30 June 2022 released at the same time.

<sup>1</sup> 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 in accordance with *IFRIC 12 Service Concession Arrangements*.

<sup>2</sup> 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 in accordance with *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.

<sup>3</sup> 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 in accordance with *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 the employees at the group level, etc.

GI operating cashflow <sup>4</sup>	273.8	(57.4)	n/a	216.4	156.0	38.7%
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## 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 under construction with a proven track record, leading market position and strong brand equity. Its long-term growth strategy is aligned with national energy policies on carbon 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. B2B arrangements enable GI plants to require either pre-payment or post-payment after use. There is also a contractual price formation mechanism that links feedstock cost to steam price and 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**  
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 as result of the zoning policy. 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 addition, it is a pioneer in the development of the circular economy 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.
- 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.



<sup>4</sup> GI operating cashflow refers to cashflow generated by operating activities of the GI Business.

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## Financials

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1H 2022 was a turbulent period with several *force majeure* events that affected business operations. The geopolitical conflict which broke out in February, pushed up energy prices<sup>5</sup>. Furthermore, as previously disclosed, the pandemic unexpectedly resurged in some places in China in early March<sup>6</sup> which affected the normal operation of some GI projects of the Company and some customers. The pandemic resurgence gradually entered a calmer stage in May.<sup>7</sup>

Despite these headwinds, Sunpower still achieved resilient financial performance in 1H 2022. GI recurring revenue in 1H 2022 grew 47.0% YoY to RMB1,359.1 million as steam sales volume grew 15.7% YoY to 4.54 million tons and steam selling prices were raised. GI recurring EBITDA<sup>8</sup> rose 8.4% YoY to RMB304.8 million from RMB281.3 million in 1H 2021, while GI recurring PATMI<sup>9</sup> was RMB86.9 million, compared to RMB91.8 million in 1H2021. GI operating cashflow rose 38.7% YoY to RMB216.4 million from RMB156.0 million in 1H 2021.

In addition to the mitigation measures (the “Mitigation Measures” or the “measures”) adopted to deal with the short-term challenges, disclosed as part of the 1Q 2022 results in May 2022, Sunpower has also 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. Furthermore, Sunpower’s management has accumulated extensive experience in coping with the dynamic situation of the past year and will continue to make best endeavours to navigate through the temporary headwinds.

Group revenue from continuing operations rose 64.4% YoY to RMB1,519.4 million in 1H 2022 due to the continued ramp-up of the GI business and contributions from services for BOT projects, including EPC services, that are provided by the Group, recognised in accordance with IFRIC 12 Service Concession Arrangements. Profit for the period from continuing operations, net of tax, without financial effects of Convertible Bonds<sup>10</sup>, was RMB91.6 million in 1H 2022.

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## GI Project Updates

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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. Certain projects have added new products such as compressed air to complement steam sales and broaden its role as a vital supplier of key utilities.

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<sup>5</sup> <https://baijiahao.baidu.com/s?id=1726469565845490433&wfr=spider&for=pc>

<sup>6</sup> <https://www.wsj.com/articles/manufacturers-grind-to-a-halt-in-china-as-lockdowns-expand-11649343420>

<sup>7</sup> <https://www.cnbc.com/2022/05/30/beijing-shanghai-start-to-reopen-as-covid-cases-drop.html>

<sup>8</sup> 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 in accordance with *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.

<sup>9</sup> 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 in accordance with *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 the employees at the group level, etc.

<sup>10</sup> “Profit for the period from continuing operations, net of tax” in the “WITHOUT financial effects of Convertible Bonds and Warrants” column of the P&L statement, which adjusts “Profit for the period from continuing operations, net of tax” 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.

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 National Development and Reform Commission (NDRC).

### Update on Jining Project:

Sunpower’s 49%-owned Jining Project operates a steam distribution business model. Located in the provincial-level Jining Chemical Industrial Park in Shandong Province, Jining Project Phase 1 has been providing clean steam for large, diversified customers in its coverage area since 2018 through its integrated long-distance pipelines that allow Jining to achieve economies of scale and enhance investment returns.

Jining Project is now expanding Phase 2 of its pipeline network as it expects steam demand to be boosted by new customers relocating into the park and existing customers expanding their capacity. The expansion is part of the Group’s strategy to expand the coverage and customer base of its projects with less intense capital expenditure. In addition, Jining has explored investments in rooftop solar power generation projects.



- **Shantou Project:** The second boiler of Phase 2 has started production.
- **Yongxing Plant:** The JV plant that produces industrial steam using general solid waste as feedstock is expected to start construction in 3Q 2022 to meet demand from customers in its coverage area.
- **Changrun Project:** New customers are being connected.
- **Shanxi Xinjiang Project:** The plant is expected to start trial production in 2H 2022.

- **Sizeable GI portfolio:**
  - 10 existing plants in operation
  - 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 increased by 4km to ~376 km, enhancing defacto project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: 525**



## Outlook

The pandemic resurgence is currently in a more balanced state compared to before. The government has indicated that it will continue to adhere to the dynamic clearance policy<sup>11</sup>. It will also strive to efficiently coordinate the pandemic prevention and control measures with economic and social development objectives and adjust the measures in a timely manner according to the local situation.<sup>12</sup>

The economy of China has been in the process of gradual stabilisation with the government striving to achieve the best possible results for 2H 2022. The government has indicated that it will focus on keeping the economy growing in a reasonable range<sup>13</sup>. In addition, China's production and market inventory of feedstock have increased after comprehensive measures were implemented by various government agencies to tackle supply shortages and price increases.<sup>14</sup>

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2022.<sup>16</sup> Please note that Sunpower's financial results 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:**

- 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 in 2022.
- Xintai Zhengda Project's new plant has been in operation.
- Tongshan Project has commenced commercial production.
- Shanxi Xinjiang Project which is expected to start trial operations in 2H 2022.

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

- Leverage on the price formation mechanism that links feedstock costs to steam prices for more flexibility in raising steam prices now that feedstock price has stabilised.
- Continue to deploy the Mitigation Measures and differentiation strategies.
- Explore new business opportunities in the medium to long term.

<sup>11</sup> [http://www.news.cn/politics/leaders/2022-07/28/c\\_1128871681.htm](http://www.news.cn/politics/leaders/2022-07/28/c_1128871681.htm)

<sup>12</sup> <https://baijiahao.baidu.com/s?id=1736825783834687542&wfr=spider&for=pc>

<sup>13</sup> [http://www.news.cn/politics/leaders/2022-07/28/c\\_1128871681.htm](http://www.news.cn/politics/leaders/2022-07/28/c_1128871681.htm)

<sup>14</sup> [http://k.sina.com.cn/article\\_2299163722\\_890a744a001014iv2.html](http://k.sina.com.cn/article_2299163722_890a744a001014iv2.html)

<sup>16</sup> 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

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:**

“Despite the headwinds that we faced in the dynamic and challenging 1H 2022, Sunpower still achieved double-digit YoY growth in revenue and steam sales volume, and GI profitability was maintained at a comparable level to that of a year ago. We believe the performance demonstrates the reliability of our business model and our comprehensive strategy to navigate the temporary headwinds.”

“We will continue to execute the Mitigation Measures and the two-pronged strategy, while exploring new areas of business opportunities.”

“In the long term, the Group’s strong position as a leading supplier of clean industrial steam, a non-discretionary production input, places it well to benefit from the long-term growth potential of the centralised steam supply industry and circular economy industrial parks. The Group expects to be able to generate a high Net Present Value (NPV) of high-quality, recurring income and cashflows in the long term.”

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***Forward-looking Statement***

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*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.*

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**About Sunpower Group Ltd.**

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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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