



# SUNPOWER GROUP LTD.

Investor Presentation  
10 May 2023





## **AGENDA**

**01 Sunpower Group At a Glance**

02 Investment Highlights

03 Project Updates

04 Outlook

05 Q&A Session



# Sunpower Group at a Glance

- **Proven Track Record of >20 years:** Established in 1997, listed on SGX since 2005
- **Leading provider** of clean industrial steam that generates recurring, long-term, high-quality income, **typically with 30-year concessions and extensive networks of pipelines**
- Pioneer in the development of the **circular economy** and helps to achieve **Carbon Peak and Carbon Neutrality**. Practices ESG in all aspects
- **Sizeable Green Investments (“GI”) portfolio:** 11 projects, with 10 in operation and 1 to start operation in 2023
- Typically B2B arrangement with end-customers, backed by an attractive double-digit project IRR, with contractual price adjustment mechanism that links feedstock cost to steam price and allows reliable profitability in the long-term
- **Recorded a significant YoY increase 1Q 2023:** Total steam sales volume rose 16.9% YoY to 2.53 mil tons. GI recurring revenue<sup>(1)</sup> rose 23.1% YoY to RMB798.4 mil. GI recurring EBITDA<sup>(1)</sup> rose 43.7% YoY to RMB191.9 mil. GI recurring PATMI<sup>(1)</sup> rose 88.1% YoY to RMB54.0 mil
- Recognized as a member by national and provincial level associations including **China Association of Environmental Protection Industry** for its contributions and leadership
- **Focus on improving shareholders’ value and investor return:** A substantial **special dividend of S\$0.2412** per share was paid in 2021 following the disposal of M&S business



(1) Please refer to the 1Q 2023 Earnings Release for definition.

# Sunpower Group at a Glance

## Green Investments

*Focused on the investment and operation of centralised facilities to supply:*

- › Clean industrial steam to a wide range of diverse industries supported by structural demand
- › 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

Position

**Leading**  
industrial  
steam  
provider with  
proven **track**  
**record**

Sizeable GI Portfolio

**10** plants in operation  
**1** to start operation in  
2023

**Robust** pipeline

Recurring Income by GI  
plants

**100%**

Circular Economy Model

Helps industrial parks achieve  
**ultra-low** emissions

Exclusive  
Concessions

Typically **~30** years

Total Pipeline Length  
**~405 km**

Ultra-low Emissions Capability

Capable of emissions below national standards of  
natural gas for the following pollutants  
Dust <5 mg/m<sup>3</sup>, SO<sub>2</sub><35 mg/m<sup>3</sup>, NO<sub>x</sub> <50 mg/ m<sup>3</sup>

No. of Customer  
Industries  
**~20**

No. of Customers  
**~525** (1)



(1) Dynamic data that accounts for the net change in the number of customers.



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# Investment Highlights

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- 1 **Leading** Industrial Service Provider with Long-term Strategy in **Alignment** with Government Policies
- 2 Robust and **Superior Business Model** Generating **Long-term, Recurring** Income
- 3 **Resilient Financial Performance** with Solid Growth and Cash Generation
- 4 Well-positioned to Realise **Long-term Growth Potential** with Established **Sizeable Portfolio** and **Strong Pipeline**
- 5 Professional and Disciplined **GI Management Team** with **Strong Execution Capabilities and Entrepreneurship**
- 6 Established **Operational Management System** with **Proven Risk Management Capabilities**
- 7 Practises **ESG and Sustainability Values** in Every Aspect
- 8 DCP and CDH are **Strategic Institutional Investors**



# Leading Industrial Service Provider with Long-term Strategy in Alignment with Government Policies

01

Leading market position with sizeable high-quality GI portfolio across developed areas in China

- › **Best-in-class industrial steam supplier**  
Rapid expansion and quick scale-up to 10 projects in operation and 1 to start operation
- › **Industry pioneer with strong brand equity**

2020 CHINA ENERGY GROUP TOP 500 LIST



BEST MANAGED COMPANIES  
民企卓越管理公司

## In alignment with government policies:

The 20th National Congress of the Communist Party of China <sup>(1)</sup>

- To reach peak carbon emissions in a well-planned and phased way
- To better control the amount and intensity of energy consumption
- To promote the clean and high-efficiency use of coal
- To improve the statistics and accounting system and the cap-and-trade system for carbon emissions

14<sup>th</sup> Five-Year Plan (2021-2025) <sup>(2)</sup>

- To promote **centralized steam facilities**
- To promote **Circular Economy Development**
- To promote the development of circular economy industrial parks
- To promote more efficient resource utilization
- To promote mass production model that emphasizes resource conservation and recycling

... ..

(1) [http://english.www.gov.cn/news/topnews/202210/25/content\\_WS6357df20c6d0a757729e1bfc.html](http://english.www.gov.cn/news/topnews/202210/25/content_WS6357df20c6d0a757729e1bfc.html)

(2) [http://english.www.gov.cn/policies/policywatch/202107/08/content\\_WS60e639b0c6d0df57f98dc92b.html](http://english.www.gov.cn/policies/policywatch/202107/08/content_WS60e639b0c6d0df57f98dc92b.html)

# Leading Industrial Service Provider with Long-term Strategy in Alignment with Government Policies

## 02 Best “clean” solution for rising steam demand



Strategy aligned with the goals of Carbon Neutrality and Carbon Peak, and facilitates their early achievement



Already contributed to boiler shutdowns that reduced emissions

GI projects in operation have helped close **hundreds of** small highly pollutive low-efficiency boilers



Eliminate “Multiple” pollution risk sources with just “One” centralized clean facility that achieves emission levels equal to or even lower than the national standard for natural gas emissions



Annual reduction of CO<sub>2</sub> emissions > **600,000 tons**



Expected to replace **more** high-polluting small boilers



Annual reduction of dust, SO<sub>2</sub> and NO<sub>x</sub> > **65,000 tons**



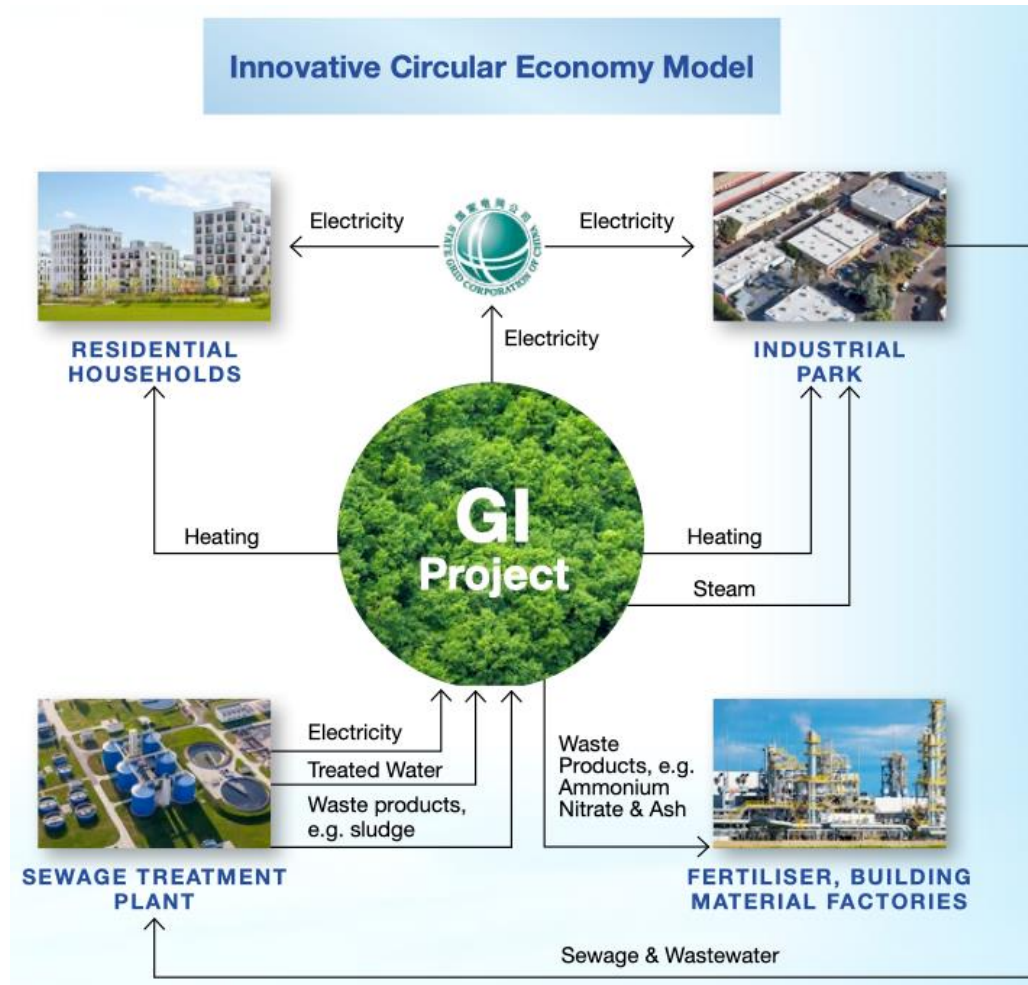


# Leading Industrial Service Provider with Long-term Strategy in Alignment with Government Policies

03

## Pioneer adopter of the Circular Economy Model (“CEM”)

The 14<sup>th</sup> Five-Year Plan promotes development of **circular economy** industrial parks and **centralised steam facilities**



### Benefits for Society

- Achieves the comprehensive utilization of resources.
- Helps solve people’s livelihood problems and improve their well-being.
- Facilitates the development of the circular economy of the country.



### Benefits for Industrial Parks

- Helps parks eliminate multiple sources of pollution risks, and ensure safe and controlled emissions.
- Helps enterprises to achieve quality and sustainable development.
- Help parks attract new investments and expand further, thus achieving win-win development.



### Benefits for the Shareholders

- Realises additional revenue from sludge treatment and sale of waste products.
- Realises greater economies-of-scale from an integrated operational model
- Reduces costs from measures such as blending sludge as a coal substitute and use of treated recycled water.

# Robust and Superior Business Model Generating Long-term, High-quality, Recurring Income

01

## High entry barriers

- Typically ~ **30-year exclusive concession rights** with first right of renewal
- Further, extensive network of steam pipelines also strengthen de facto exclusivity for the supply of industrial steam

02

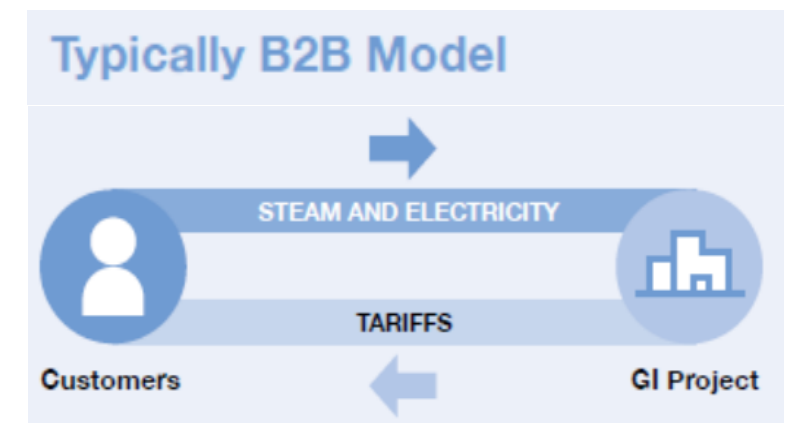
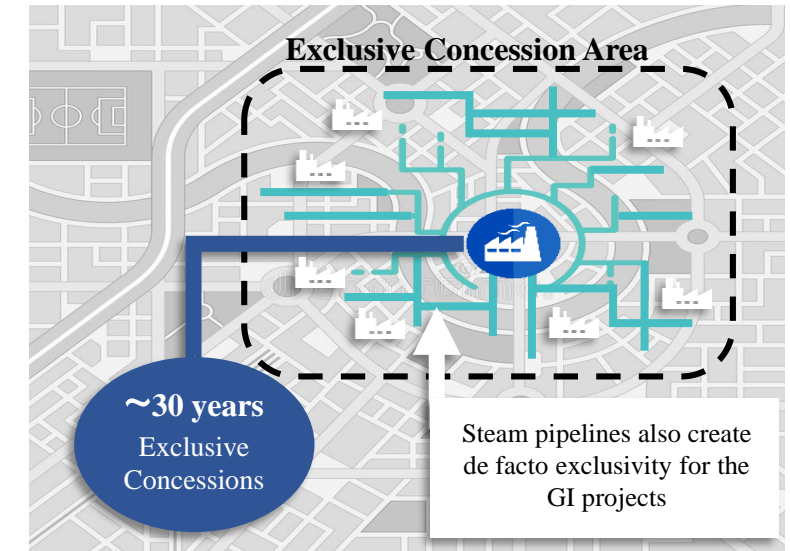
## Strong tariff collection

- Typically B2B model
- Contracts to supply industrial steam are signed with customers instead of the government
- Steam is a non-discretionary production input and the GI plant is typically the exclusive centralised supplier within its coverage area

03

## Price adjustment mechanism that links feedstock cost to industrial steam price

- Usually 2 ways to adjust: 1) to adjust primary based on the certain change of the fuel price with the industrial customers; 2) to adjust based on the price guidance issued by the government
- Allows long-term profitability when viewed across cycles
- Maintain operational flexibility to achieve long-term growth

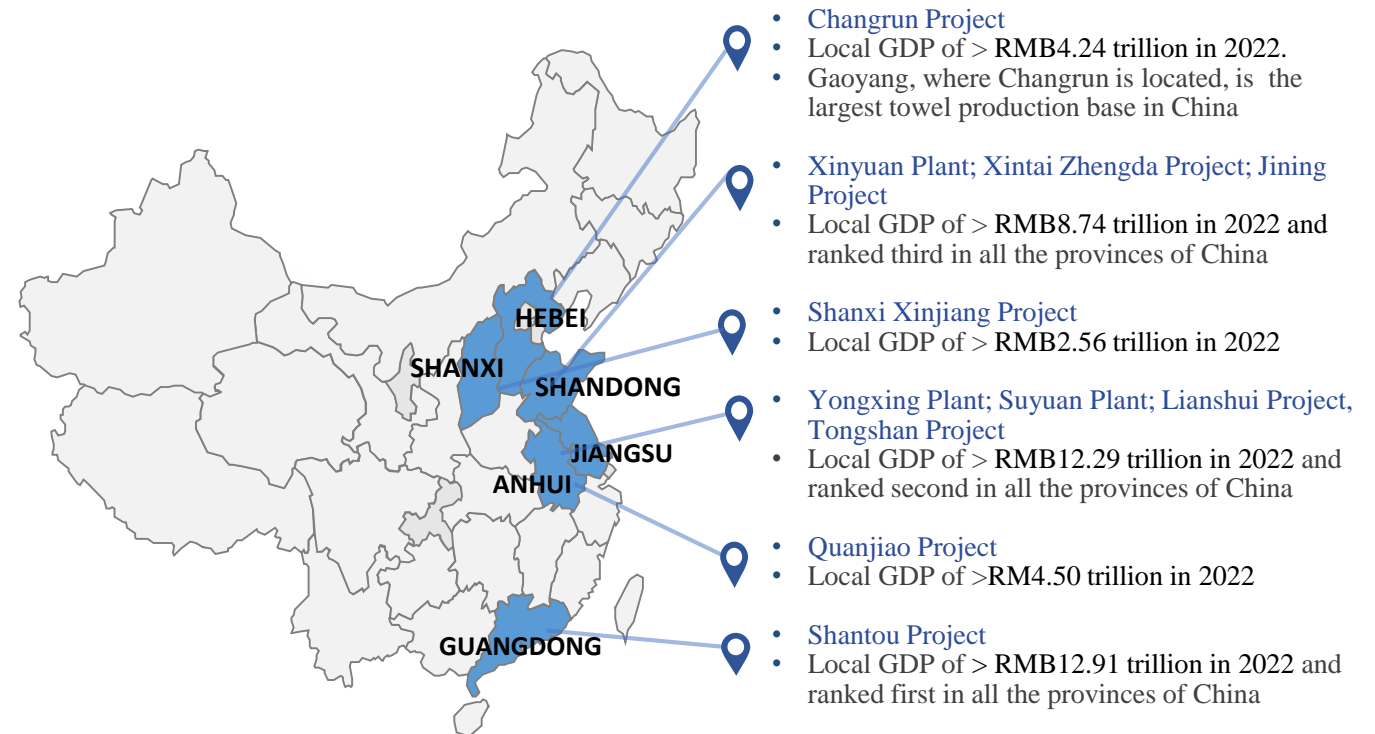
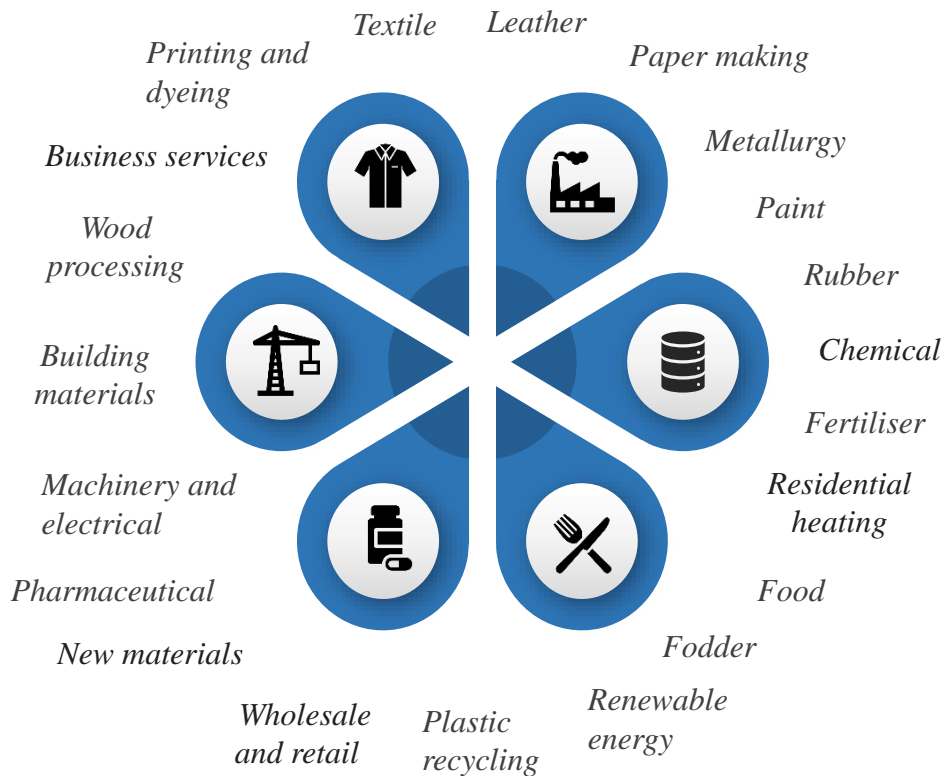


# Robust and Superior Business Model Generating Long-term, High-quality, Recurring Income

## 04 Resilient demand for steam

➤ **Large and captive customer base** from a **diverse and wide range of industries**

➤ **Strong economic viability** of downstream customer enterprises as they are located in the industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence

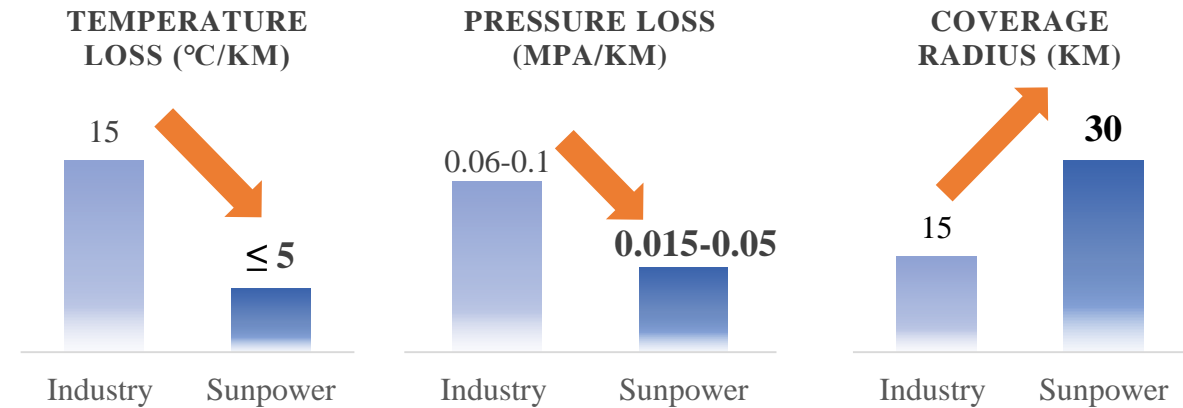


# Robust and Superior Business Model Generating Long-term, High-quality, Recurring Income

05

## Application of innovative technologies

- **Long Distance Steam Distribution Pipelines Technology**
  - Increase geographical reach to captive customers. Achieve economies of scale
  - Reduce feedstock ~ minimal temperature and pressure lost in transmission
- **Environmental Protection Technologies**
  - Low nitrogen combustion technology
  - Desulphurisation and denitrification technology
  - Technology to eliminate haze and ammonia escape
  - Bag filter + wet electrostatic precipitator
- **Energy Saving Technologies**
  - High efficiency heat exchange technology
  - Gas-gas heater technology
  - Low temperature economiser technology
  - Flue gas sludge drying & comprehensive utilisation technology
- **Strong and proven ability to revamp and upgrade acquired plants to improve operational efficiency**



### Ability to meet or be even lower than emission standard of natural gas

Emission Limit (mg/m <sup>3</sup> )	Newly-built Coal-fired Boilers <sup>(1)</sup>	Newly-built Coal-fired Power Generation Boilers <sup>(2)</sup>	Coal-fired Power Generation Boilers in Key Areas* <sup>(2)</sup>	Natural Gas Boilers & Gas Turbines <sup>(2)</sup>	Sunpower's Capabilities
Dust	50	30	20	5	< 5
SO <sub>2</sub>	300	100	50	35	< 35
NO <sub>x</sub>	300	100	100	50	< 50

(1) 'Boiler Air Pollutant Emission Standard' by the Ministry of Ecology and Environment of the PRC (GB13271-2014)

[http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrwpfbz/201405/t20140530\\_276318.shtml](http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrwpfbz/201405/t20140530_276318.shtml)

(2) 'Emission Standard of Air Pollutants for Thermal Power Plants' by the Ministry of Ecology and Environment of the PRC (GB 13223-2011)

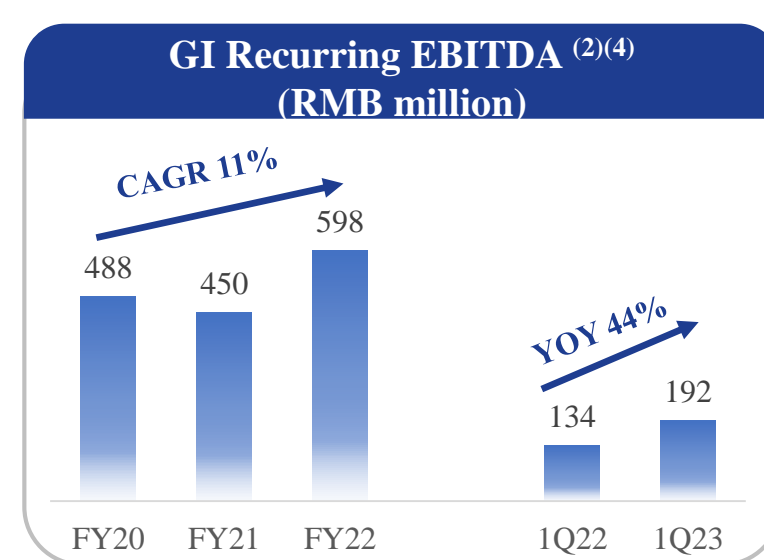
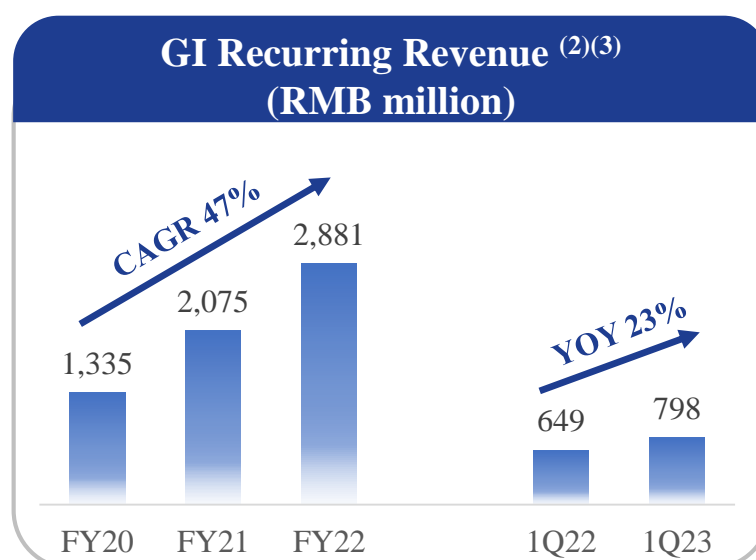
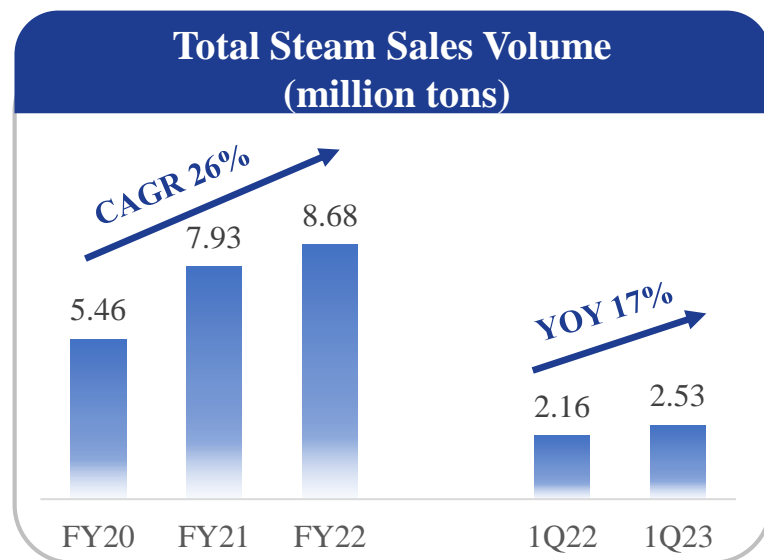
[http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrwpfbz/201109/t20110921\\_217534.shtml](http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrwpfbz/201109/t20110921_217534.shtml)

\* Key regions mainly refer to the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta region



# Robust Financial Performance with Strong Growth in 1Q2023 <sup>(1)(2)</sup>

- Total steam sales volume was up 16.9% YoY to 2.53 million tons, supported by the strong demand for clean industrial steam.
- GI recurring revenue rose 23.1% YoY to RMB798.4 million, mainly due to the strong demand and the execution of the price adjustment mechanism.
- GI recurring EBITDA increased 43.7% YoY to RMB191.9 million.
- GI profitability improved significantly on the back of abovementioned reasons, and the execution of Mitigation Measures<sup>(1)</sup> as well as the tapering-off pandemic and reduced volatility of feedstock prices.



(1) Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

(2) The Company uses the terms "GI recurring revenue", "GI recurring EBITDA" 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 First Quarter Ended 31 March 2023 released at the same time.**

(3) 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.

(4) 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) 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 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.

# Well-positioned to Realise Long-term Growth Potential with Established Sizeable Portfolio and Strong Pipeline

01

The existing GI portfolio is still ramping up the utilisation and is expected to have long-term growth potential

## Key Growth Drivers



Organic growth of some customers and industrial parks served by GI plants



Continuous closures of small boilers drive demand to centralised facilities



Enterprises' continuous relocation to industrial parks due to government mandate and/or cost benefits



Technological transformation and upgrades that improve project profitability



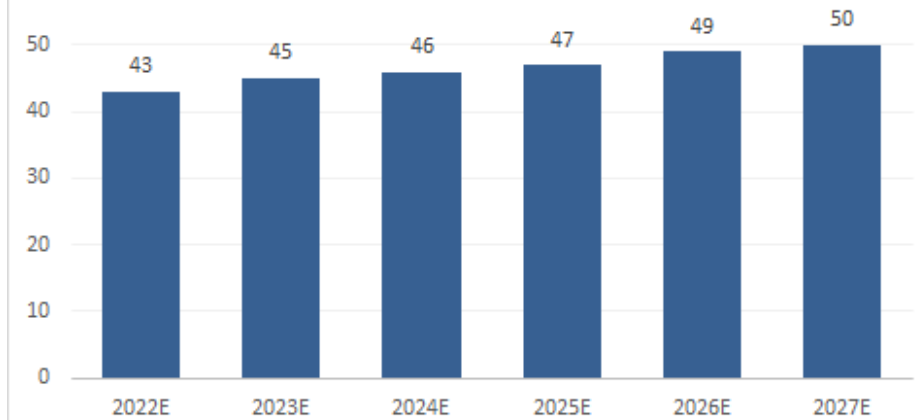
# Well-positioned to Realise Long-term Growth Potential with Established Sizeable Portfolio and Strong Pipeline

02

## Large demand for urban heat supply to provide enormous growth potential for GI business

With the promotion of energy conservation and emission reduction, the total demand for China's urban steam industry will continue to increase. This is expected to provide enormous growth potential and opportunities for our GI.

Forecast of total demand of China's urban steam supply industry from 2022 to 2027 (100 million GJ)



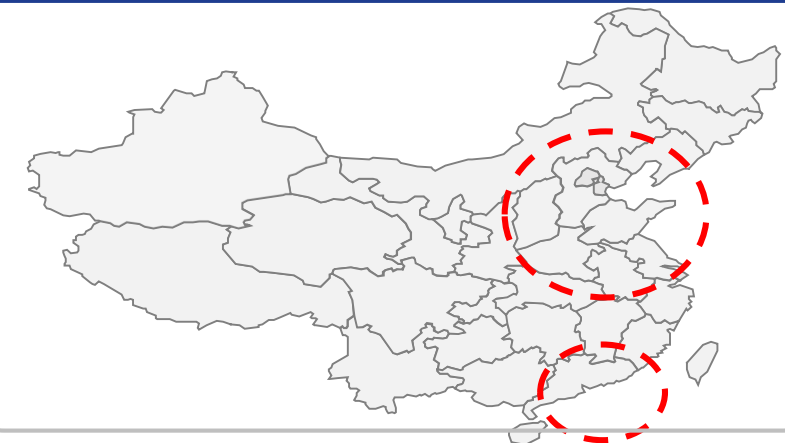
03

## Strong pipeline of high-quality projects to fuel continued growth in the foreseeable future

Disciplined investment strategy

Robust pipeline of projects in economically developed areas

Pipeline under Evaluation



# Well-positioned to Realise Long-term Growth Potential with Established Sizeable Portfolio and Strong Pipeline

04

Mature and replicable business model with a unique competitive edge across the GI business cycle to drive sustainable growth



**01**

- › Established and proven track record
- › Experienced business teams
- › Disciplined project sourcing and evaluation process
- › Robust pipeline being evaluated

**03**

- › Experienced in project planning, management and construction
- › Complete supervision system that reduces potential construction and cost overrun risks
- › Ability to apply innovative integrated technologies for environmental protection & energy-saving

**02**

- › Ability to establish high entry barriers
- › Resilient and adaptable GI business model
- › Strong strategic support by renowned PE firms DCP and CDH
- › Multiple potential sources of capital to fund GI growth strategy

**04**

- › Seasoned management with proven track record in achieving excellent results
- › Adoption of Circular Economy zero-waste production model
- › Refined management of each project
- › Know-how to reform and upgrade acquired plants to improve operational efficiency



# Professional and Efficient GI Management and Operational Team with Strong Execution Capabilities and Entrepreneurship

Senior management are proven professionals with personal integrity and follow international practices in corporate governance

The management's proven capability to navigate the company through the various challenges will lay a strong foundation for the future growth

## ➤ Top management team remains stable

- Post-M&S disposal, the GI business continues to be led by Mr Ma, co-founder of Sunpower

## ➤ Extensive experience of decades in GI business

- Seasoned and well-disciplined executives with specialised skills, strong execution capabilities and entrepreneurship



**Ma Ming**

Co-Founder & Executive Director



**Tang Hao**

Group Vice President  
General Manager of JSCE\*



**Shi Shaolin**

Group Financial Director  
Deputy General Manager of JSCE\*



**Sha Jianhua**

Deputy General Manager of JSCE\*



**Zheng Xiaodong**

Deputy General Manager of JSCE\*

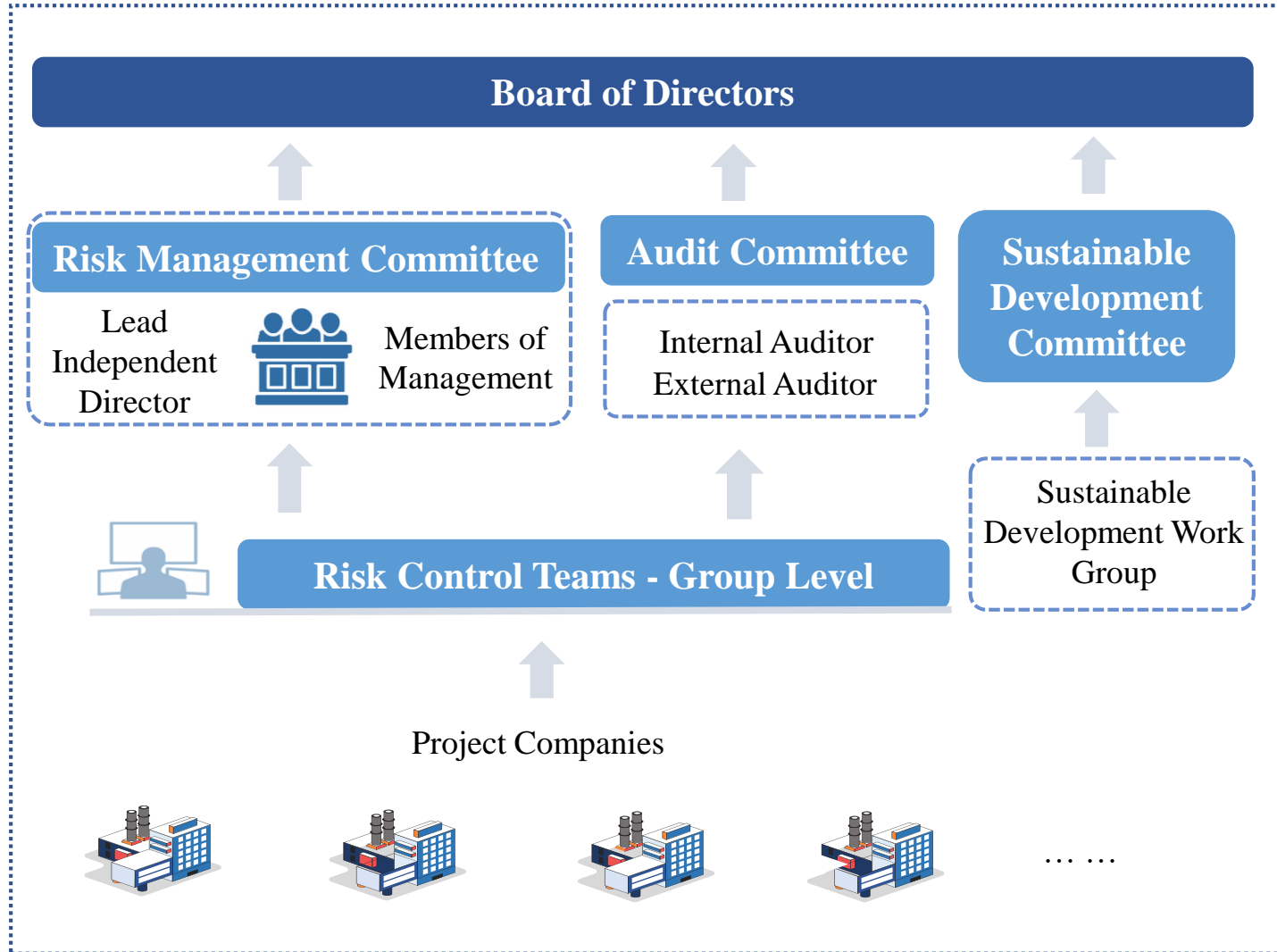


**Xu Jun**

Deputy Chief Engineer of JSCE\*

\* JSCE refers to Jiangsu Sunpower Clean Energy Co., Ltd.

# Established Operational Management System with Proven Risk Management Capabilities



- › Over the years, Sunpower's management has created and refined an **Operational Management System** that targets to maximise efficiency and effectiveness and reduce the Group's exposure to risks.
- › The Group has strived to enhance **Risk Management Systems and Practices** in order to provide sound internal evaluation, and control and oversight of financial, operational, compliance and other risks.
- › **Comprehensive Budget Management System** has been in place for decades.
- › **Sustainable Development Committee** was set up to facilitate the sustainability of the Group

# Practises ESG and Sustainability Values in Every Aspect

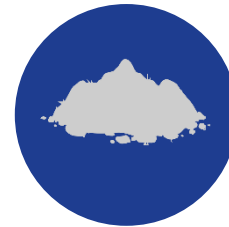
- Committed to sustainability by incorporating environmental, social and governance (ESG) values into every aspect.
- Undertakes the social responsibility to support the sustainable development of the economy and helps to build ultra-low emission circular economy industrial parks.



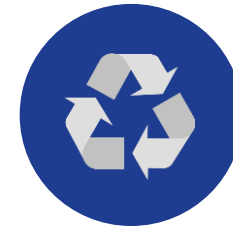
Ultra-low emissions that replace highly-polluted emissions



Zero discharge of sewage



Zero discharge of sludge



Recycling of waste

## Environment

- Pioneer in achieving carbon emission peak and carbon neutrality goals for China
- Helps to build zero-emission circular economy industrial parks and facilitate green sustainable development of the local economy
- Practises benefit-driven environmental protection to help the Company and customers attain quality, green and low-carbon growth
- Promotes the utilisation of biomass energy and achieves the integrated benefits of clean energy and rural ecology governance

## Social

- Protects the rights of employees through a sound personnel management system and a safe, healthy working environment
- Helps to increase and stabilise local employment and promotes the sustainability of enterprises and the local economy
- Participates in social welfare programs and contributes to the fight against the pandemic

## Governance

- Wins the government's trust and support by addressing its key concerns through the Group's key competitive edges
- Complete operational system, risk management and internal control system in place to counter various risks, including compliance
- Zero tolerance for corruption and bribery, etc, with established policies to prohibit such misconduct

# DCP and CDH are Strategic Institutional Investors

➤ Among the largest and most experienced Chinese private equity (PE) investors

➤ Invested US\$130 million in Sunpower through convertible bonds issued to-date. Provide institutional support for Sunpower's long-term growth

➤ Strong track record of investing and nurturing many leading companies in China

## DCP AND CDH TEAMS' SELECTED INVESTMENT PORTFOLIO



**Belle International**  
(百丽鞋业)

China's Leading Women Shoes Retailer



**Mengniu Dairy**  
(蒙牛乳业)

China's Leading Dairy Company



**Nanfu Battery**  
(南孚电池)

China's Leading Alkaline Battery Producer



**Qingdao Haier**  
(青岛海尔)

Global Leader in Home Appliances



**Hengan International**  
(恒安集团)

China's Largest Napkin and Diaper Producer



**Ping An Insurance**  
(平安保险)

China's Leading Insurance Provider



**Modern Dairy**  
(现代牧业)

China's Leading Dairy Company



**WH Group**  
(万州国际)

Global Leader in Meat Processing



**Greenland Group**  
(绿地集团)

China's Leading Real Estate Conglomerate



**Midea Group**  
(美的集团)

Global Leader in Home Appliances



**CICC**  
(中国国际金融有限公司)

China's Leading Investment Bank



**Focus Media**  
(分众传媒)

China's Largest Out-of-home Advertising Network



**COFCO Meat**  
(中粮肉食)

China's Leading Meating Processing Company



**Uxin**  
(优信拍)

China's Leading Online Used-car Platform





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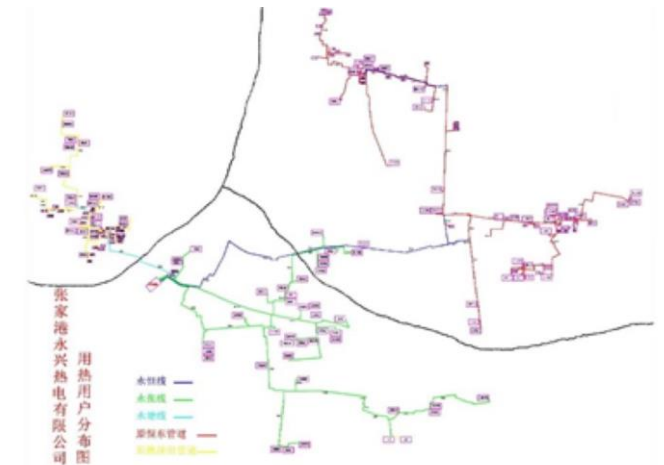
# Changrun Project

Capacity	2×220t/h (steam) + 2×25MW (electricity)
Length of pipeline	~74 km of pipeline
Product mix	Industrial steam, electricity
Customer mix	~75 captive customers. Main products include towels, medicine, blankets, etc.
Location	Gaoyang County, Hebei Province
Latest updates	<b>Recovery of tourism industry after pandemic has benefited the local towel industry and boosted customers' demand</b>
Plant highlights	<b>1. Notable accomplishments</b> <ul style="list-style-type: none"> <li>• Steam supply to new customer Sanli started in May 2021</li> <li>• Sludge incineration project passed “Project Environmental Completion Acceptance” assessment and operated smoothly since 2020</li> <li>• Added sales of electricity to complement steam from 2018</li> </ul>
	<b>2. Sustainable business model</b> <ul style="list-style-type: none"> <li>• Excellent industrial cluster: the towel manufacturing industry is the leading local industry, accounting for nearly 1/3 of the national output. A complete industrial chain has been formed in the region</li> <li>• <b>Exclusive centralised steam supplier:</b> 30-year concession + first right to renew</li> <li>• <b>“Ultra-low emission” circular economy model:</b> Treated wastewater is used to generate steam, sludge from industrial park is treated and used as boiler feedstock, while the project’s waste outputs are sold to downstream factories</li> </ul>
	<b>3. High IRR:</b> double-digit investment returns



# Yongxing Plant

<b>Capacity</b>	350t/h (steam)+36MW (electricity)
<b>Length of pipeline</b>	~150 km
<b>Product mix</b>	Industrial steam & electricity
<b>Customer mix</b>	Diversified industries in textile, printing and dyeing, food, chemical, paper making, renewable energy, machinery manufacturing, etc.
<b>Location</b>	Zhangjiagang City, Suzhou, Jiangsu Province
<b>Latest updates</b>	<b>Its JV plant is expected to be ready for steam supply in 2H2023</b>
<b>Plant highlights</b>	<ol style="list-style-type: none"> <li><b>Superior geographical location:</b> Located in an economically developed region, with diversified customer industries. Coverage area is up to 173 sq km</li> <li><b>Reliable business model:</b> <ul style="list-style-type: none"> <li>Exclusive centralised steam supplier, with an extensive network of pipelines that enhances its de facto exclusivity</li> <li>Ultra-low emissions, even lower than the emission standard of natural gas</li> </ul> </li> <li><b>Circular economy model:</b> River water used to generate steam; blended combustion of industrial sludge diversifies feedstock mix; production wastes such as gypsum are sold to downstream building material factories</li> <li><b>Feedstock transportation dock nearby</b> facilitates feedstock transportation</li> <li><b>Post-M&amp;A completion of upgrades has seen operating efficiency and performance notably improved:</b> <ul style="list-style-type: none"> <li>Completion of extraction-pressure to back-pressure turbine technology upgrades will improve steam output and efficiency</li> <li>Blended sludge combustion improved efficiency and increased revenue from 1Q 2021</li> </ul> </li> <li><b>High IRR:</b> double-digit investment returns</li> </ol>



# Shantou Project – Both Phases are in Commercial Production and Ramping Up

<b>Equity investment <sup>(1)</sup></b>	Phase 1: RMB 167 million; Phase 2: RMB 140 million
<b>Length of pipeline</b>	~22 km
<b>Capacity</b>	Phase 1: 3×150t/h (=450 t/h); Phase 2: 2 × 260t/h (=520 t/h).
<b>Product mix</b>	Industrial steam, compressed air, electricity
<b>Mix of end-customers</b>	Ready-made "base of end-users" of >100 qualified enterprises, involved in the printing & dyeing of cotton, polyester cotton, nylon, ribbons, and other fabrics, etc.
<b>Location</b>	Shantou Textile Circular Economy Industrial Park in Chaonan, Shantou, Guangdong Province
<b>Latest updates</b>	<b>Both phases are ramping up. Four generators are eligible to charge for electricity at prices for generators with environmental protection devices</b>



<b>Plant highlights</b>	<p><b>1. Located in economically developed area and industrial park cluster with advantages:</b> Guangdong is ranked No. 1 GDP province in China. Printing &amp; dyeing of textiles and garments is a pillar industry, with a full and mature value chain in place. Shantou is the largest manufacturing base for women's inner wear in China, accounting for ~45% of the national output <sup>(2)</sup></p> <p><b>2. Exclusive centralised steam supplier</b> with an operating concession of ~38.5 years</p> <p><b>3. Circular Economy model:</b> Uses treated wastewater to generate steam; blended combustion of industrial sludge to diversify feedstock mix. Project sells its production wastes as raw materials to downstream industries, which generates additional revenue</p> <p><b>4. Rapid ramp-up</b> with growth potential of generating long-term, recurring and high-quality income,</p> <p><b>5. New revenue sources</b> have been added, e.g. compressed air, waste products, sludge incineration services, etc.</p> <p><b>6. Located close to the port wharf</b>, which makes for convenient unloading and drayage of feedstock</p> <p>7. Recognized as the <b>leading model</b> of the No.1 Lianjiang River Comprehensive Remediation Project</p> <p><b>8. High IRR:</b> double-digit investment returns</p>
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(1) The equity investment is the amount corresponding to the 51% equity held by Sunpower Group in Shantou Project, excluding the minority shareholders' equity investment

(2) [https://www.shantou.gov.cn/jxj/zwgk/gzdt/content/post\\_2031622.html](https://www.shantou.gov.cn/jxj/zwgk/gzdt/content/post_2031622.html)



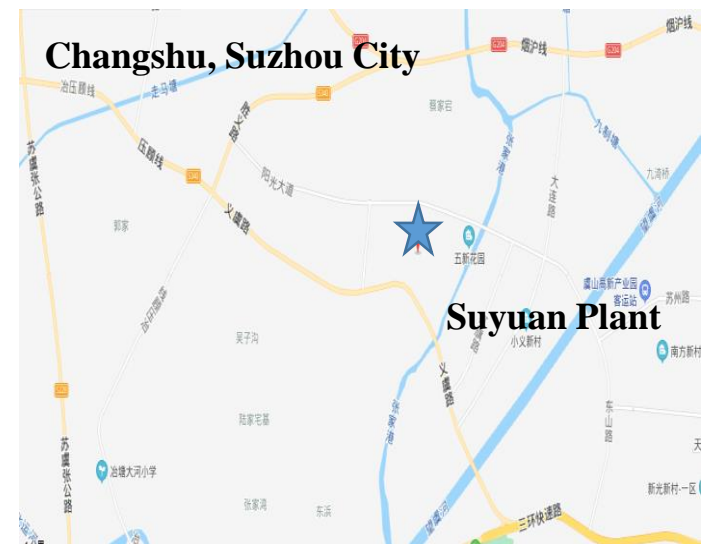
# Xinyuan Plant

The M&A Consideration	~RMB212.5 million
Capacity	Steam: 3×75t/h + 1 ×220t/h (=445 t/h) Electricity: 2 × 6MW + 1 ×25MW (=37 MW)
Product mix	Industrial steam, heating, and electricity
Mix of end-customers	Industrial end-customers concentrated in the energy, printing & dyeing, and clothing industries, etc. Supply heating to residential households
Location	Jimo District, Qingdao City, Shandong Province
Plant highlights	<ol style="list-style-type: none"> <li><b>Located in economically developed areas:</b> <ul style="list-style-type: none"> <li>Qingdao's GDP was close to RMB1.5 trillion in 2022</li> <li>That Jimo became one of the district of Qingdao City from a county-level city in 2017 has been boosting its rapid development and growth</li> </ul> </li> <li><b>Major upgrade and reform were implemented</b> to improve the operation efficiency post the M&amp;A</li> <li><b>Further expanded heating supply coverage area</b> by 2 million m<sup>2</sup> area in Jimo International Trade Park in 1Q2021. The city heating network system for the new concession area in Jimo International Trade Park was completed in 4Q2021 and Xinyuan project has started to supply heating.</li> <li><b>Large storage space for feedstock</b>, which is convenient for low-season storage and control of fuel cost</li> <li><b>Professional and experienced team</b> that ensures continued smooth operation</li> </ol>



# Suyuan Plant

<b>The M&amp;A Consideration</b>	~RMB293 million
<b>Capacity</b>	Steam: 1 × 90t/h + 2 × 75t/h (=240 t/h) Electricity: 1 x B7MW
<b>Product mix</b>	Industrial steam and electricity
<b>Customer base</b>	Concentrated in printing & dyeing industry in coral velvet, soft velvet, polar velvet, super soft velvet, etc.
<b>Location</b>	<b>Changshu, Suzhou City, Jiangsu Province</b>
<b>Plant highlights</b>	<ol style="list-style-type: none"> <li><b>Located in developed economy region and has the advantage of industrial cluster:</b> <ul style="list-style-type: none"> <li>Changshu ranked among the top 4 county-level cities in China for economic vitality <sup>(1)</sup></li> <li>Textile industry has been a mainstay of Changshu's economy for the last 40 years with annual turnover of &gt;RMB100 billion</li> <li>Located in a high-quality printing &amp; dyeing development area, with printing &amp; dyeing enterprises elsewhere expected to relocate in</li> </ul> </li> <li><b>Exclusive centralized steam supplier</b> within coverage area with resilient and attractive customer base provided by the established textile industry cluster</li> <li><b>Continuous upgrade after M&amp;A:</b> major upgrades were completed in 2020, operational performance and efficiency have been further improved</li> <li><b>Circular economy model:</b> Recycling customers' condensation water to generate steam; using general solid waste to supplement the main feedstock</li> </ol>



(1) <https://www.ccidgroup.com/info/1096/34864.htm>

# Tongshan Project

Capacity	Phase 1: 1 × 130t/h (steam)+ 1 × 35MW (electricity)
Product mix	Industrial steam, heating, and electricity
Location	Tongshan District, Xuzhou City, Jiangsu Province
Latest updates	<b>Developing new customers for the supply of industrial steam whilst selling green electricity to the State Grid</b>

*Tongshan District, Xuzhou City, Jiangsu*



Plant highlights	<p><b>1. Located in an economically developed area with potential for development and growth:</b></p> <ul style="list-style-type: none"> <li>• Tongshan District ranked 28<sup>th</sup> among China’s Top 100 Districts for investment potential in 2018</li> <li>• The industrial park is a state-level development zone</li> </ul>
	<p><b>2. Exclusive supplier with 30-year concession right</b></p>
	<p><b>3. Uses biomass</b> such as bark, straw, and other agricultural product wastes as feedstock. Access to multiple sources of biomass to meet the project’s feedstock demand</p>
	<p><b>4. Biomass unit is a high temperature, ultra high pressure reheat unit,</b> with operating efficiency higher than other domestic biomass units</p>
	<p>5. In replacing natural gas as a fuel source to supply steam and heating, it helps the local government to address the people’s livelihood issues, alleviate cost of heating subsidies, reduce pollution and realise energy conservation. Project is aligned with China’s national development policies and is expected to gain more support from the local government</p>
	<p><b>6. Ready base of residential customers</b> in concession area and increasing number of industrial customers that lay a foundation for rapid ramp-up and growth potential</p>



# Shanxi Xinjiang Project

<b>Capacity</b>	Phase 1: 1 ×130t/h (steam)+ 1 ×C15MW (electricity)
<b>Product mix</b>	Industrial steam and electricity
<b>Customer mix</b>	Existing concentration of customers provides ready pool of demand from industries such as high-end equipment manufacturing, new materials, fine chemicals, urea, and dyes
<b>Location</b>	<b>Yuncheng City, Shanxi Province</b>
<b>Latest updates</b>	<b>Construction is essentially complete and is expected to commence operation in 2023</b>
<b>Project highlights</b>	<p><b>1. Located in an industrial park with notable characteristics:</b></p> <ul style="list-style-type: none"> <li>Xinjiang Circular Economy Demonstration Park (the “<b>Park</b>”), one of three fine chemical industrial parks in Shanxi Province, was approved as a provincial level industrial park in 2019</li> <li>The Park already has centralised utilities infrastructure in place, such as a water treatment facility</li> </ul> <p><b>2. Exclusive operating concession</b> for investment, construction, and operation of cogeneration plants within 25 km of steam supply area</p> <p><b>3. Close proximity to fuel resources:</b> surrounding cities and counties have abundant coal resources and developed in ore washing and other industries</p>







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# FY2023 Outlook

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**Barring unforeseen circumstances, the Group expects the business trends summarised to benefit its business in FY2023. Please note that our 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:**

- › Continued ramp-up of 10 existing projects in operation, driven by the mandatory location and/or relocation of new factories into industrial parks, expansion of coverage area, and/or organic growth of customers and industrial parks.
- › Expansion of capacity of certain existing plants, namely Yongxing Project's solid waste JV plant, launch of Shantou Project Phase 2, and Jining Project Phase 2.
- › Expected start of operation of Shanxi Xinjiang Project.

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

- › Leverage the price adjustment mechanism that links feedstock costs to steam prices for more flexibility in raising steam prices.
- › Continue to deploy the Mitigation Measures<sup>1</sup> and differentiation strategies<sup>2</sup>.
- › Explore new business opportunities in the medium to long term.

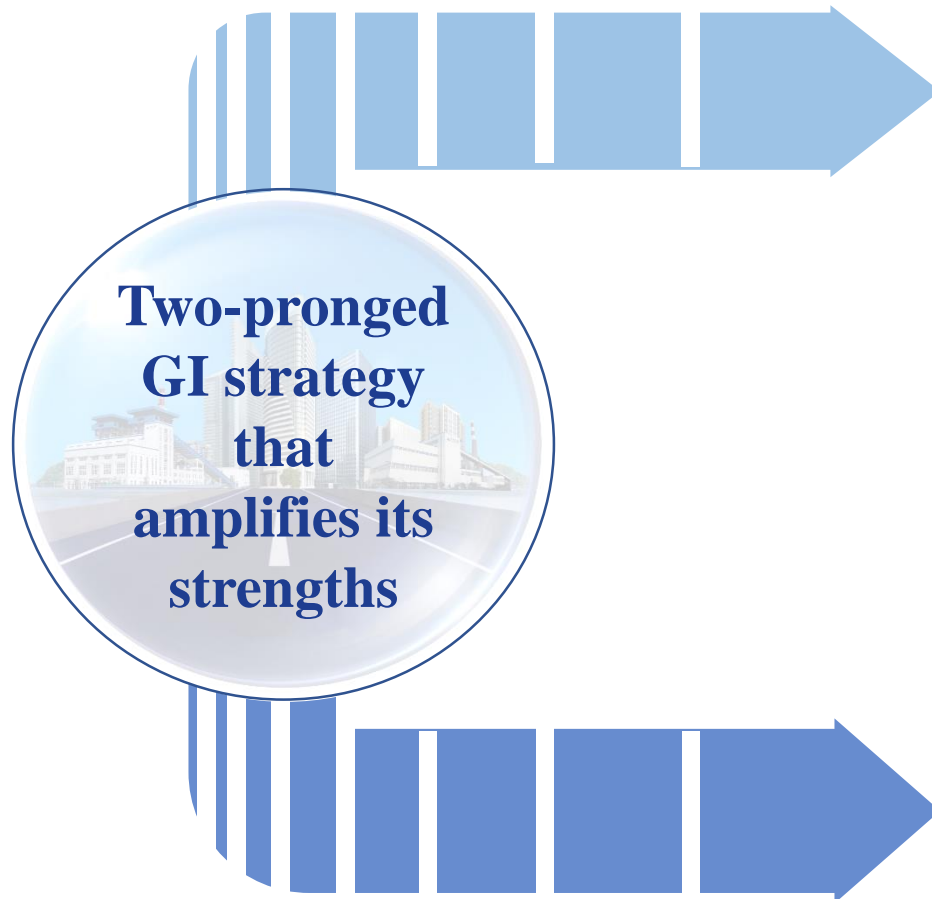
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<sup>1</sup> Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

<sup>2</sup> Refer to the 2Q 2022 earnings release dated 11 August 2022 for more information.

# Strategy to Grow Earnings with Quality Remains on Track

For 2023 and beyond, Sunpower intends to continue to execute the two-pronged strategy with emphasis on the quality of development that amplifies its strengths:



**(1) Solidifying its market position as an centralised provider of clean steam through:**

- › 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; and
- › Proceeding with the planned construction of the expansion phases of certain existing projects.

**(2) Focus on the further enhancement of the operation and production of each project to improve efficiency and profitability of the Group. In addition, continuous evaluation of pipeline for quality projects with potential.**

# Update on Convertible Bonds

- › The Company has issued US\$130 million of Convertible Bonds (the “**CBs**”). The maturity date of the CBs, as elected by the Bondholders in accordance with the Existing Terms, is 17 April 2023, being the 15th business day after the date on which the Company’s audited financial statements for 2022 are issued. \*
- › The Company announced on 27 March 2023 that it has entered into an amendment agreement (the “**2023 Amendment Agreement**”) with the Bondholders to amend the relevant terms of the CB Purchase Agreement and the terms and conditions of the CBs (the “**Announcement**”).
- › Pursuant to the 2023 Amendment Agreement, the Company and Bondholders have, *inter alia*, mutually agreed to extend the maturity date of the CBs to the later of (i) 3 April 2025; or (ii) if so elected by the Bondholders, the date that is the 15<sup>th</sup> business day after the date on which the Company’s audited financial statements for 2024 are issued (the “**New Maturity Date**”), as well as to make certain other amendments to the terms of the CB Purchase Agreement and the CB Terms and Conditions (collectively, the “**Proposed Amendments**”).
- › More information on the 2023 Amendment Agreement can be found in the Announcement. Details of the Proposed Amendments will be included in a circular to be despatched to the shareholders of the Company for approval of the Proposed Amendments in due course.

**Note:** \* During the period from the date of the 2023 Amendment Agreement to the earlier of (a) the date of the special general meeting of the Company to be held in respect of the 2023 Amendment Agreement and the amendments contemplated therein (the “**SGM**”), and (b) 31 July 2023 (the “**Longstop Date**”) (the “**Standstill Period**”), the Bondholders agree that the non-redemption of the Convertible Bonds on or prior to the Current Maturity Date does not constitute an event of default and further agree that they shall not, during the Standstill Period, exercise any of the following rights under the Convertible Bond Purchase Agreement (such agreement, the “**Standstill**”):

- (i) Conversion Rights pursuant to Condition 6(A) (Conversion Right);
  - (ii) redemption right pursuant to Condition 8(A) (Maturity); and
  - (iii) redemption right pursuant to Condition 8(C) (Redemption at the Option of the Bondholders),
- provided that upon the occurrence of any event of default, the Standstill shall be immediately terminated.



# Appendices



# Financial Effects of Convertible Bonds

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Convertible Bonds were issued on 3 March 2017 and 15 October 2018 with the carrying amount of the Convertible Bonds currently stated at fair value as at 31 March 2017 and 15 October 2018 respectively. In accordance with SFRS(I), the financial effects on profit or loss associated with the issuance of compound financial instruments are as follows: (i) fair value change arising from fair valuation relating to the conversion option and (ii) amortised interest charge relating to the amortised cost liability component of the Convertible Bonds. The fair value change is an accounting treatment arising from the compliance with the accounting standards and has no cash flow effect and no financial impact on the performance targets in relation to the Convertible Bonds as stipulated in the Convertible Bonds Agreement stated in the circular dated 13 February 2017 and 21 August 2018 respectively.

The fair value change of the Convertible Bonds and the related financial effects to the statement of profit or loss and other statements have no operational effects to the financial performance of the Group. Financial effects of Convertible Bonds consist of unrealised foreign exchange translation, amortised interest expense (inclusive of interest charges) and fair value gain/(loss) of Convertible Bonds.

## Group Income Statement Summary (Without the financial effects of CBs and Warrants)\*

(RMB million)	1Q 2023	1Q 2022
<b>Revenue</b>	798.4	738.5
<b>Gross Profit</b>	152.0	105.8
<b>EBITDA</b>	180.1	125.9
<b>Profit for the period (net of tax)</b>	54.4	31.1

\*Group results reflect the results of continuing operations, without the financial effects of CBs and Warrants

## Group Balance Sheet Summary (Without the financial effects of CBs and Warrants)\*

(RMB million)	As of 31 march 2023	As of 31 December 2022
<b>Cash and cash equivalents &amp; pledged bank deposits</b>	747.6	714.0
<b>Trade Receivables</b>	698.4	638.1
<b>Inventories</b>	95.6	175.3
<b>Total Current Assets</b>	2,039.8	1,927.3
<b>Non-Current Assets</b>	5,725.6	5,741.3
<b>Short-term Borrowings</b>	1,150.2	918.5
<b>Current Liabilities</b>	2,151.1	2,811.6
<b>Convertible bonds liability</b>	739.4	761.9
<b>Long-term Borrowings</b>	2,388.0	2,424.5
<b>Equity attributable to equity holders of the Company</b>	1,927.0	1,883.1
<b>Total equity</b>	2,257.1	2,202.7

- Group results reflect the results of continuing operations, without the financial effects of CBs and Warrants

## Group Cash Flow Summary (Without the financial effects of CBs and Warrants)\*

(RMB million)	1Q 2023	1Q 2022
Net cash from operating activities	(43.5)	(66.3)
Underlying operating cash flow	(21.0) <sup>(1)</sup>	(55.0) <sup>(2)</sup>
Net cash (used in)/from investing activities	(93.7)	(196.5)
Net cash from/(used in) financing activities	151.2	125.1

\*Group results reflect the results of continuing operations, without the financial effects of CBs and Warrants

(1) Underlying operating cash flow adjusting for CB interest of RMB22.6 million

(2) Underlying operating cash flow adjusting for CB interest of RMB11.3 million



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