

GI recurring revenue grows 38.9% YoY to RMB2.88 billion in FY2022 and steam sales volume rises 9.5% to 8.68 million tons

Key Highlights

- Demand for clean steam remained strong despite pandemic. Steam sales volume rose 9.5% YoY to 8.68 million tons in FY2022
- GI recurring revenue rose 38.9% YoY to RMB2.88 billion in FY2022, faster than the growth in steam sales volume, mainly because of the significant rise in steam price
- GI recurring EBITDA rose 32.8% YoY to RMB598.0 million while GI recurring PATMI rose 31.2% YoY to RMB158.2 million in FY2022
- Proposed first and final dividend of S\$0.0013 per share for FY2022
- Sunpower's proven business model and disciplined management, after passing through the pandemic and energy price surge, are expected to set a strong foundation for future growth

Singapore, 26 February 2023 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam and industrial services through centralised steam facilities with a sizeable portfolio of recurring, long-term, cash-generating Green Investments (“GI”) projects that use innovative integrated environmental protection technologies, announced its results for the financial year to 31 December 2022 (“FY2022”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	FY2021 [*]	FY2022	YoY Chg
Steam sales volume (m tons)	7.93	8.68	9.5%
GI recurring revenue ¹	2,074.5	2,880.8	38.9%
GI recurring EBITDA ²	450.3	598.0	32.8%
GI recurring PATMI ³	120.6	158.2	31.2%
GI operating cashflow ⁴	254.7	364.1	43.0%

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 Unaudited Financial Statements for the Six Months and Full Year Ended 31 December 2022 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 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 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 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 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.

* After adoption of Amendments to SFRS(I) 1-16: Property, Plant and Equipment: Proceeds Before Intended Use that came into effect on 1 January 2022 and is retrospective for FY2021 financial results.

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 project to start trial operation in 2023 with a proven track record, leading market position and strong brand equity.
Its long-term growth strategy is aligned with national energy policies to actively promote carbon peaking and carbon neutrality, the clean and efficient utilisation of feedstock and the development of green and low-carbon industries. 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.
- **Superior GI business model that generates 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 and extensive networks of pipelines that enhance its de facto exclusivity. They 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.
GI plants typically have B2B arrangements that require either pre-payment or post-payment after use. There is also a contractual price adjustment mechanism that links feedstock cost to steam price and allows reliable profitability across cycles in the long-term.
- **Resilient financial performance with solid growth and cash generation**
Sunpower has proven its ability to sustain resilient financial performance with solid growth and 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. Long-term 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 in every aspect. In addition, 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**
The key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined and standardised management approach.
- **Strong institutional investors that support the group**
Among them are the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies in China.



Financials

2022 was the most challenging year ever for Sunpower since the inception of the GI business. Several *force majeure* events affected business operations during the year. The pandemic broke out and spread through the country from the beginning of the year, culminating in the lifting of pandemic control and prevention measures at the end of the year. The geopolitical conflict which broke out in February set off a global energy crisis and caused energy prices to soar globally⁵. Further, other related events including power curtailment⁶ due to extremely high temperature⁷ also took place in 2022. As a result, the operations of the GI projects and their customers were affected throughout the year.

Despite these challenges, demand for steam remained strong and growing. Total steam sales volume rose 9.5% YoY to 8.68 million tons in FY2022, due mainly to the Group's proven business model that is based on exclusive long-term operating concessions and extensive networks of pipelines that enhance its *de facto* exclusivity to supply clean steam, an essential and non-discretionary input product, to a captive diversified industrial customer base in economically strong areas of China.

Meanwhile, GI recurring revenue rose 38.9% YoY to RMB2.88 billion, faster than the growth in steam sales volume, mainly due to the significant rise in steam price based on the price adjustment mechanism. Further, GI project profitability improved on the back of the strong demand for industrial steam, the execution of the price adjustment mechanism and the Mitigation Measures⁸. GI recurring EBITDA rose 32.8% YoY to RMB598.0 million, while GI recurring PATMI grew 31.2% YoY to RMB158.2 million. Operating cash flow of the GI projects rose 43.0% YoY to RMB364.1 million.

Group revenue from continuing operations rose 17.7% YoY to RMB3.45 billion in FY2022 due to the continued ramp-up of the GI business and contributions from services for BOT projects, including EPC services, which are provided by the Group, recognised under IFRIC 12 Service Concession Arrangements. Profit for the period from continuing operations, net of tax, without financial effects of Convertible Bonds⁹, was RMB184.5 million in FY2022.

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).

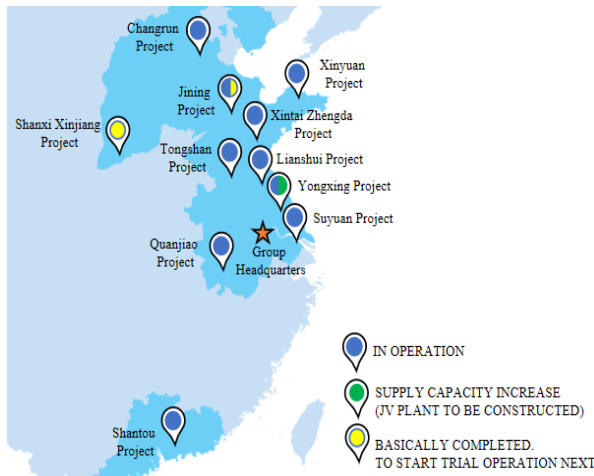
⁵ <https://www.iea.org/commentaries/what-does-the-current-global-energy-crisis-mean-for-energy-investment>

⁶ <https://cj.sina.com.cn/articles/view/1296119181/4d41358d02701348f>

⁷ <https://baijiahao.baidu.com/s?id=1741379676835456487&wfr=spider&for=pc>

⁸ Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

⁹ “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.



- **Sizeable GI portfolio:**
 - 10 existing projects in operation
 - 1 new project to start trial operation
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~405 km (up YoY) enhances de facto project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: ~525**

Sunpower supplies industrial steam to a diversified captive customer base that spans more than 20 industries. Sunpower's GI projects are strategically located in the industrial parks that either have strong economic viability in economically developed areas or have industry clusters of excellence. Its projects are exclusive suppliers in the coverage areas mainly based on operating concessions of typically 30 years with first right of renewal and *de facto* exclusivity enhanced by extensive networks of valuable steam distribution pipelines which have risen to 405 km due to the relocation of customers and organic development of industrial parks.

In addition, Sunpower 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 their role as an industrial service provider. Its GI projects will continue to ramp up with expansion of existing customers and relocation of new customers into their coverage areas, laying a strong foundation for future growth.

Updates on other GI Projects:

- **Changrun:** Expansion of certain customers and extension of pipelines.
- **Yongxing:** The main plant has completed extraction pressure-to-back pressure turbine technology upgrades that are expected to improve steam output and efficiency. Further, the solid waste JV plant is expected to finish construction in 2023.
- **Shantou:** Both phases are in commercial operation to meet the rising demand from enterprises relocating into the industrial park.
- **Suyuan:** Existing customers continue to ramp up, and more enterprises are relocating into its coverage area with new factories under construction.
- **Lianshui & Quanjiao:** Continuing to ramp up to full utilisation of capacity.
- **Jining:** Phase 2 expansion of the pipeline network is essentially completed and is expected to meet the incremental steam demand of newly relocated customers and existing customers.
- **Tongshan:** Provider of industrial steam, heating, and electricity. Connections were made to some industrial customers.
- **Shanxi Xinjiang:** Construction is essentially completed and is expected to start trial operation in 2023.
- **Xintai Zhengda:** Demand for industrial steam rising due to customers' capacity expansion. Further, heating cost has been notably reduced through the technical transformation of waste heat utilisation.

Outlook

As of early 2023, the overall pandemic situation has entered a low level¹⁰ and the Covid-19 virus has been classified as a normal seasonal flu by certain countries.¹¹ Further, pressure on global energy prices has eased as the geopolitical risk premium declines.¹² In addition, following the 20th National Congress, the government is strongly determined to drive an economic recovery with consumption as the main driver.¹³ Further, President Xi in the 1st Central Economic Working Conference required domestic focus to improve the capacity of energy and resource security and promote the green social development.¹⁴

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

Continued ramp-up and expansion of existing GI plants, 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, Jining Project Phase 2, and Shanxi Xinjiang Project.

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 measures¹⁵ and differentiation strategies¹⁶.
- Explore new business opportunities in the medium to long term.

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 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; and (b) 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.

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

“After three years of the pandemic, 2022 was Sunpower’s most challenging year since the GI business started. The silver lining is that our business model and management’s capability to navigate and steer the company through the storm to the post-pandemic calm have now been well and proven to be reliable and correct.”

¹⁰ <https://www.channelnewsasia.com/asia/china-says-covid-19-situation-low-level-after-chinese-new-year-holiday-3241321>

¹¹ <https://www.moh.gov.sg/news-highlights/details/singapore-to-exit-acute-phase-of-pandemic>

¹² <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/011723-ec-president-von-der-leyen-lauds-speed-of-european-gas-price-fall>

¹³ <https://www.globaltimes.cn/page/202301/1284379.shtml>

¹⁴ https://mp.weixin.qq.com/s?_biz=MzAwMzE4MDY3NQ==&mid=2675897130&idx=1&sn=80b013b0ab3b5fc55c2435f0d68c91&chksm=81b542c6b6c2cbd0c75aea79085ce41ec80d1a5bb9d6363c6cab6f5dcd5ae3d9d661d3931510&scene=27

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

¹⁶ Refer to the 2Q 2022 earnings release dated 11 August 2022 for more information.

“Nevertheless, we are pleased to see that the influences of the pandemic recede to some extent and the pressure on energy prices lessened in February 2023. We will continue to ramp up the utilisation of the operating GI projects by adding customers, expanding coverage area, tapping into the organic growth of existing customers, and expanding the capacity of certain existing plants to cater to customers’ continuous expansion.”

“Sunpower intends to continue to stay on its sustainable development path that improves shareholders’ value. The Group is well placed to benefit from the long-term growth potential of the centralised steam supply industry and circular economy industrial parks in China. It expects to be able to generate a high Net Present Value (NPV) of high-quality recurring income and cashflows in the long term.”

-END-

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 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 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, high-quality income and cashflow.

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).

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

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