

Sunpower's GI recurring EBITDA grows 44.4% YoY to RMB440.1 million and GI recurring PATMI rises 65.8% YoY to RMB144.2 million in 1H 2023

Key Highlights

- **Demand for steam remained strong and existing GI projects continued to ramp up in 1H 2023**
Total steam sales volume rose 9.5% YoY to 4.97 million tons
GI recurring revenue rose 17.9% YoY to RMB1,602.4 million
- **GI profitability improved significantly on continued ramp-up of GI projects in response to strong steam demand, the refined management of the GI projects, etc**
GI recurring EBITDA rose 44.4% YoY to RMB440.1 million in 1H 2023
GI recurring PATMI rose 65.8% YoY to RMB144.2 million
- **Improved results and strong outlook are a testament to the Group's proven business model and the GI portfolio that is valuable and of high potential**

Singapore, 11 August 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, income-generating Green Investments (“GI”) projects that use innovative integrated environmental protection technologies, announced its results for the six months to 30 June 2023 (“1H 2023”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

| RMB million | 2Q 2023 | 1Q 2023 | QoQ Chg | 1H 2023 | 1H 2022 | YoY Chg |
|-------------------------------------|------------|------------|------------|------------|------------|------------|
| Total steam sales volume (mil tons) | 2.44 | 2.53 | -3.4% | 4.97 | 4.54 | 9.5% |
| GI recurring revenue ¹ | 804.0 | 798.4 | 0.7% | 1,602.4 | 1,359.1 | 17.9% |
| GI recurring EBITDA ² | 248.2 | 191.9 | 29.3% | 440.1 | 304.8 | 44.4% |
| GI recurring PATMI ³ | 90.2 | 54.0 | 67.0% | 144.2 | 86.9 | 65.8% |
| GI operating cashflow ⁴ | 228.4 | (29.4) | n/m | 199.0 | 216.4 | -8.0% |

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 Second Quarter and Six Months Ended 30 June 2023 released at the same time.

¹ GI recurring revenue refers to recurring revenue generated by the GI business, including commission fees recognised in accordance with *SFRS(I) INT15*. It excludes one-time contributions from services for BOT projects including EPC services that are performed by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*.

² GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes one-time contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

³ GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and employee remuneration at the group level, etc.

⁴ GI operating cashflow refers to cashflow generated by operating activities of the GI Business.

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 in trial operation with a proven track record, leading market position and strong brand equity.

Its long-term growth strategy is aligned with national policies to promote carbon peaking and carbon neutrality, the clean and efficient utilisation of feedstock. 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**
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 demand, bolstered by technologies that act as entry barriers against competition.

GI plants typically have B2B arrangements with end-customers, with a contractual price adjustment mechanism that links feedstock cost to steam price and allows reliable profitability in the long-term.
- Resilient financial performance with solid growth**
Sunpower has proven its ability to sustain resilient financial performance with solid growth.

Despite the impact of challenges of various significant events and tough macro-economic conditions, total steam sales volume rose by a CAGR of 20.4% and GI recurring revenue increased by a CAGR of 35.6% between FY2019 and FY2022, while unaudited GI recurring EBITDA increased from RMB450.3 million in FY2021 to RMB598.0 million in FY2022.
- 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 commits 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.

10 Projects in Operation, 1 Project in Trial Operation



Financials

The GI business achieved a significant YoY improvement in its financial performance in 1H 2023. Total steam sales volume rose 9.5% YoY to 4.97 million tons in 1H 2023 due to the continued ramp-up of the existing GI projects, such as Changrun Project, Xintai Project and Shantou Project, bolstered by continued strong demand for clean industrial steam.

GI recurring revenue rose 17.9% YoY to RMB1,602.4 million, with the growth mainly attributed to the higher industrial steam sales volume and the continued execution of the price adjustment mechanism that links feedstock cost to industrial steam price.

The profitability of the GI business improved in 1H 2023 on the back of the continued ramp-up of the GI projects in response to the strong demand for clean industrial steam, the execution of the price adjustment mechanism and the refined management of the GI projects. GI recurring EBITDA rose 44.4% YoY to RMB440.1 million while GI recurring PATMI rose 65.8% YoY to RMB144.2 million as profit margins continued to improve. The GI business recorded an operating cash inflow of RMB199.0 million in 1H 2023, compared to RMB216.4 million in 1H 2022.

Sunpower's GI business has bounced back from the challenges of the COVID-19 pandemic, geopolitical conflicts and other relevant events that impacted the GI business. The continued growth in total steam sales volume and recurring revenue and improvement in profitability is a testament to the underlying resilience of its business model and the strong foundation laid by management's comprehensive measures.

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).



- **Sizeable GI portfolio:**
 - 10 projects in operation
 - 1 project in trial 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: ~525⁷**

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 of 406 km in length due to the relocation of customers and organic development of industrial parks.

⁷ Dynamic data that accounts for the net change in the number of customers.

In addition, Sunpower 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. 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 GI Projects:

- **Changrun Project:** Industrial steam sales volume significantly increased YoY.
- **Yongxing Plant:** Its JV plant is expected to commence operation in 2023.
- **Shantou Project:** The application for four generators to charge electricity at prices for generators with environmental protection devices has been approved. Several more customers were connected.
- **Suyuan Plant:** Certain new enterprises have relocated into its coverage area and are expected to commence operation by 2024.
- **Tongshan Project:** Continue to expand potential industrial steam customers.
- **Xintai Zhengda Project:** One of its key customers in the new material industry has completed its phase 3 capacity expansion and is now in operation, further driving growth in steam demand.
- **Lianshui Project:** Planning to add natural gas boilers.
- **Shanxi Xinjiang Project:** In trial operation.

Outlook

With the economy and society gradually returning to normal, domestic demand has steadily rebounded⁶ as evidenced by the higher sales of consumer goods, rebound in sales of big-ticket items⁷ and the strong recovery of domestic tourism and movie box office sales.⁸ However, the growth momentum in exports and imports was reported to have recently declined.⁹ As for the feedstock price, it is currently in a broadly declining trend, after a phase of high volatility in May to June and relative stability in January to April.^{10 11}

The outlook for the Group remains encouraging as of August 2023 and demand for industrial steam is expected to grow further in 2023. The GI projects have realised a strong business performance and the Group intends to continue to improve the profitability and efficiency of the GI projects based on the resilient business model and the disciplined and refined management.

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 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. This includes the ramp-up of Phase 2 of certain projects, namely Shantou Project Phase 2 and Jining Project Phase 2.
- Expansion of capacity of certain existing plants, namely Yongxing Plant's solid waste JV plant which is expected to commence operation in 2023, and Lianshui Project's planned addition of natural gas boilers.
- Shanxi Xinjiang Project is in trial operation and is expected to ramp up in future.

⁶ <https://baijiahao.baidu.com/s?id=1771663180102033105&wfr=spider&for=pc>

⁷ <http://finance.sina.com.cn/jjxw/2021-08-06/doc-ikqciyzk9798318.shtml>

⁸ <https://baijiahao.baidu.com/s?id=1771528698989735788&wfr=spider&for=pc>

⁹ <https://baijiahao.baidu.com/s?id=1772264573053275134&wfr=spider&for=pc>

¹⁰ https://sxcoal.substack.com/p/issue-15-chinas-thermal-and-coking?utm_source=post-email-title&publication_id=1242508&post_id=1142538

¹¹ <https://www.sunsirs.com/uk/prodetail-369.html>

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 adjusting steam prices.
- Focus on the refined management of GI projects and continue to deploy the Mitigation Measures¹² and differentiation strategies¹³.
- Explore new business opportunities in the medium to long term.

Pertaining to the GI business, for 2023 and beyond, Sunpower intends to continue to execute the following two-pronged strategy with an emphasis on the quality of development that amplifies its strengths:

- (1) Solidify its market position as a centralised provider of clean steam by (a) continuously ramping up its existing GI portfolio through further expansion of coverage areas and customer base but with less intense capital expenditure; and (b) proceeding with the planned construction of the expansion phases of certain existing projects.
- (2) Enhance further the operation and production of each project to improve the Group's efficiency and profitability. In addition, evaluate the pipeline continuously for quality projects with potential.

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.

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

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

“Following a challenging year in FY2022, we recorded a double-digit improvement in our 1H 2023 financial results as demand for clean industrial steam by our customers remained strong. The strong business performance is a testament to the correctness of our strategy, the resilience of our business model and the effectiveness of our refined management. We believe that our sizeable GI project portfolio, which is able to generate high-quality recurring income over the long term, is valuable and of high potential.”

“With the extension of the CB maturity date, the Company will focus on exploring alternative options to raise funds for CB redemption. Meanwhile, Sunpower intends to stay committed to improving shareholders' value. In the short-term, we will continue to ramp up the utilisation of the operating GI projects by adding customers, expanding coverage areas, tapping into the growth prospects of existing customers, and expanding the capacity of certain existing plants, whilst staying alert to the rise of potential risks on the geopolitical or economic fronts.”

In the long-term, we are well placed to benefit from the growth potential of the centralised steam supply industry and circular economy industrial parks in China.”

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Forward-looking Statement

¹² The Mitigation Measures include but are not limited to adjusting steam prices with customers; diversifying the feedstock mix to include biomass, sludge and general solid waste; continued implementation of the cost-reduction strategy of controlling unit material use; stocking up on feedstock when prices are conducive; optimisation of steam transmission efficiency; strengthening the ramp-up of GI plant utilisation by connecting to more customers; and further reinforcing the refined management of the plants.

¹³ Sunpower has been proactively implementing various differentiation strategies across its GI project portfolio to realise the medium to long term growth potential of each GI project, depending on the unique characteristics of each industrial park.

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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