

## Sunpower sustained growth in 1Q 2021 with PATMI<sup>1</sup> of RMB59.7 million, led by GI business

### Results Highlights

- **Sustainable growth pace maintained in 1Q 2021**

*Revenue rose 31.2% YoY to record RMB882.8 million in Q12021 while PATMI<sup>1</sup> grew 17.0% YoY to RMB59.7 million*

*Significant improvement in underlying operating cash inflow of RMB223.6 million<sup>2</sup>*

- **GI grew at rapid pace in 1Q 2021**

*GI revenue rose 61.2% YoY to RMB417.6 million in 1Q 2021 on strong industrial steam demand and 9 GI plants in operation, up from 8 operating plants and 1 in trial production in 1Q 2020*

*GI EBITDA rose 45.9% YoY to RMB115.2 million*

*GI growth to continue to be driven by ramp-up of existing plants, concession area expansion, securement of new customers of certain existing plants, as well as the addition of more potential earnings-accretive projects*

Singapore, 12 May 2021 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), an environmental protection solutions specialist in energy-saving and clean power technologies with a strategic focus on anti-pollution investment projects (“Green Investments” or “GI”) that generate intrinsic value in the form of long-term, recurring, high-quality income and cash flows, today announced its financial results for the three months to 31 March 2021 (“1Q 2021”).

### Group Financial Highlights (without financial effects of Convertible Bonds and Warrants)

| RMB million                        | 1Q 2021      | 1Q 2020      | YoY Chg        |
|------------------------------------|--------------|--------------|----------------|
| <b>Revenue</b>                     | <b>882.8</b> | <b>672.7</b> | <b>31.2% ↑</b> |
| Group gross profit                 | 187.4        | 154.4        | 21.4% ↑        |
| Group EBITDA                       | 168.9        | 131.3        | 28.6% ↑        |
| Profit before income tax           | 77.6         | 66.7         | 16.3% ↑        |
| <b>PATMI<sup>1</sup></b>           | <b>59.7</b>  | <b>51.1</b>  | <b>17.0% ↑</b> |
| <b>EPS<sup>3</sup> (RMB cents)</b> | <b>7.6</b>   | <b>6.5</b>   | <b>16.8% ↑</b> |

pps – percentage points

<sup>1</sup> PATMI refers to the “Profit for the year attributable to equity holders” in the “WITHOUT financial effects of Convertible Bonds and Warrants” column of the P&L statement, which adjusts “Profit for the year attributable to equity holders” 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.

<sup>2</sup> Underlying operating cash flow adjusting for CB interest of RMB21.0 million.

<sup>3</sup> Based on weighted average number of outstanding ordinary shares (excluding treasury shares) of 790.3 million in 1Q 2021 and 789.3 million in 1Q 2020.

## Investment Thesis

The GI business is Sunpower's value creator and growth driver. With its sizeable and valuable portfolio of GI projects, the Group is well placed to benefit from the enormous business opportunities in China's anti-smog services sector.

### Key drivers that fuel the opportunities for the Group's GI business are:

- National clean air policies that mandate continuous closure of small dirty coal-fired boilers, unlocking demand for clean steam, heat and electricity supplied by large centralised clean GI plants,
- Strict zoning policies that provide further growth impetus to GI business as they mandate the location and/or relocation of factories into industrial parks with such centralised infrastructure, and
- Long term growth potential from the organic expansion of customers and industrial parks served by the GI projects.

### GI projects generate long-term, recurring, high-quality cashflow and double-digit IRR:

- Strong market position as exclusive steam suppliers within coverage areas due to typically 30-year operating concessions, with first right to renew,
- High entry barriers from the application of leading technologies, integrated operations and systems, and professional management with many years of experience in environmental protection, and
- Strong tariff collection, as steam is a non-discretionary input product necessary for customers' production activities.

### Business model underpinned by the following competitive advantages:

- Solid foundation to procure high-quality GI projects given a proven track record, experienced business teams and robust systems for the identification, selection and evaluation of projects,
- GI projects are highly sought after investment assets with a resilient and adaptable business model that provide high entry barriers against new entrants,
- Early-mover advantage that allows investment in new projects or acquisition of existing projects at attractive accretive valuations,
- Strong track record by business teams seasoned in project management to successfully operate GI projects with excellent results,
- Application of leading technologies and Circular Economy zero-waste production model to build new plants and upgrade acquired plants for maximum operational efficiency, and
- Strong capital support from renowned private equity funds DCP and CDH, as well as multiple potential sources of capital to fund the GI business growth strategy.

Sunpower believes it is in a favourable position to further expand in a large addressable market by procuring new GI projects with exclusive long-term concessions, to embark on new phases of expansion for certain existing GI projects, and to further cultivate the earnings quality of existing GI projects.

### 9 Projects in Operation



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## Financials

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The Group's business turned in robust growth in 1Q 2021 compared to 1Q 2020, due mainly to continued strong operational execution, continued ramping up of existing GI projects, new GI projects commenced production, and supportive business conditions as a result of excellent pandemic control that resulted in a stable and reliable YoY growth, led in particular by the GI business.

**Group results:** Group revenue rose 31.2% YoY to RMB882.8 million, group EBITDA increased 28.6% YoY to RMB168.9 million and group PATMI improved 17.0% YoY to RMB59.7 million. Underlying operating cash inflow improved significantly to RMB223.6 million.

**GI segment:** The GI business's rapid expansion continued to yield strong YoY growth in 1Q 2021 mainly driven by (a) 9 GI projects in commercial operation vs 8 GI projects in operation and 1 in trial production in 1Q 2020; (b) continued rapid ramping up of GI plants such as Shantou Phase 1; (c) expansion in the customer base of the operational projects; (d) revamp and upgrade of the acquired GI plants that improved operational efficiency; and (e) firm and effective control of the pandemic in China. As a result, GI revenue grew 61.2% YoY to RMB417.6 million while GI EBITDA grew 45.9% YoY to RMB115.2 million.

**M&S segment:** M&S revenue rose 12.5% YoY to RMB465.2 million.

On 16 April 2021, all resolutions set out in the Notice for Special General Meeting dated 31 March 2021 in relation to the Proposed Disposal of the entire Manufacturing and Services (M&S) business, voted by way of poll, were duly passed by Shareholders at the Special General Meeting.

On 30 April 2021, the Company announced that RMB2.21 billion, equal to 96.51% of the Consideration, has been escrowed into the Onshore Escrow Account in accordance with the terms of the Onshore Escrow Agreement and the SPA. Further, all of the Tranche 1 Conditions, including the completion of the registration in respect of the change of shareholders of Sunpower Technology by registering the Purchaser as the 100% shareholder of Sunpower Technology, have been satisfied. Accordingly, the Company will make a further announcement on the record date and the payment date for the Tranche 1 Special Dividend, following receipt of the Tranche 1 Consideration.

*Unless otherwise defined, all capitalised terms and references used herein shall bear the same meaning ascribed to them in the circular dated 31 March 2021 issued by electronic means by the Company.*

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## GI Business Update

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Sunpower's GI business supplies industrial steam to a diverse range of industries, such as chemical, printing & dyeing, paper making, F&B, building materials, pharmacy, paint, wood processing, chemical fertilisers, supported by structural demand. It also provides pollution-free civil heating to a large base of households and electricity to the State Grid.

### Updates on GI projects:

- **Changrun Project:** Construction of the steam distribution pipeline that connects Changrun Project to Sanli's facilities is progressing smoothly. Steam supply is expected to start in 2021. Sunpower announced the acquisition of the exclusive 25-year right to supply steam to Sanli, one of the largest towel and blanket enterprises in China, in January 2021.
- **Xinyuan Plant:** The concession area of Xinyuan Plant has been further expanded by 2 million m<sup>2</sup> in Jimo International Trade Park. Construction of steam distribution pipeline to this additional coverage area has started with the target to complete before the 2021 heating season.

- **Shantou Project:** Phase 1 has ramped rapidly, and Phase 2 is under construction to meet expected strong steam demand in the concession area.
- **New facility of Xintai Zhengda Project:** Part of the project has started commercial operation, and construction of the remaining part is expected to be completed in 2021.
- **Tongshan Project:** Construction is expected to be completed in 2021.
- **Shanxi Xinjiang Project:** Construction is expected to be completed by early 2022.

To date, the Group has invested and committed approximately RMB1.93 billion in project equity to build up its GI portfolio. The Group currently has a total of 11 GI projects, of which nine (9) are operational, while other GI projects such as part of the new facility of the Xintai Zhengda Project, phase 2 of Shantou Project, Tongshan Xuzhou Project and Shanxi Xinjiang Project are under construction.

| Sunpower's Investments in GI to-date |     |                                                                               |                               |           |                                                                                                                 |
|--------------------------------------|-----|-------------------------------------------------------------------------------|-------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------|
| Status                               | No. | Project                                                                       | Project Equity (RMB'm)<br>(i) | Stake (%) | Production Capacity<br>(no. of boilers x tons/hour of steam + no. of generators x megawatt/hour of electricity) |
| In operation                         | 1.  | Changrun Project (Phase 1)                                                    | 434.1                         | 100%      | 2×220 t/h+2×25MW                                                                                                |
|                                      | 2.  | Yongxing Plant                                                                | 306.0                         | 100%      | 2×100t/h+1×150t/h + 2×18MW                                                                                      |
|                                      | 3.  | Xinyuan Plant                                                                 | 85.0                          | 85%       | 3×75t/h+2×6MW<br>1×220t/h+1×25MW                                                                                |
|                                      | 4.  | Suyuan Plant                                                                  | 117.2                         | 90%       | 1×90t/h+2×75t/h +1×B7MW                                                                                         |
|                                      | 5.  | Lianshui Project                                                              | 38.3                          | 95%       | 2×40 t/h                                                                                                        |
|                                      | 6.  | Quanjiao Project                                                              | 49.2                          | 100%      | 1×40 t/h                                                                                                        |
|                                      | 7.  | Xintai Zhengda Plant - Old facility <sup>(ii)</sup><br>- Part of new facility | n/a                           | 86.5%     | n/a                                                                                                             |
|                                      | 8.  | Jining Project                                                                | 10.3                          | 49%       | n/a                                                                                                             |
|                                      | 9.  | Shantou Project (Phase 1)                                                     | 167.3                         | 51%       | 3×150t/h+2×20MW                                                                                                 |
| <b>Sub-total</b>                     |     |                                                                               | <b>1,207.4</b>                |           |                                                                                                                 |
| Under construction                   | 10. | Tongshan Project (Phase 1) <sup>(iii)</sup>                                   | 126.0                         | 100%      | 1×130t/h+1×35MW                                                                                                 |
|                                      | 11. | Shanxi Xinjiang Project (Phase 1)                                             | 131.2                         | 100%      | 1×130t/h+1×C15MW                                                                                                |
|                                      | n/a | Xintai Zhengda Project (part of new facility) <sup>(iv)</sup>                 | 287.1                         | 86.5%     | 3×130t/h+1×35MW +1×18MW                                                                                         |
|                                      | n/a | Shantou Project (Phase 2) <sup>(v)</sup>                                      | 132.6                         | 51%       | 2x260t/h+2x30MW                                                                                                 |
|                                      | n/a | Changrun Project - Connection to Sanli <sup>(vi)</sup>                        | 50.0                          | 100%      | n/a                                                                                                             |
| <b>Sub-total</b>                     |     |                                                                               | <b>726.9</b>                  |           |                                                                                                                 |
| <b>Amount invested and committed</b> |     |                                                                               | <b>1,934.3</b>                |           |                                                                                                                 |

Notes: based on current estimates and forecast.

(i) Assuming ~40% equity/60% debt

(ii) The old plant ceased operations from April 2021 and existing customers are being supplied with steam from the new facility.

(iii) Assuming ~30% equity/70% debt

- (iv) Part of the new facility has started commercial operation and the remaining part is under construction. The old plant and new plant are counted as one project
- (v) Shantou Project Phase 1 and Phase 2 are counted as one project
- (vi) Changrun Project Phase 1 and Connection to Sanli are counted as one project

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## Outlook

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Sunpower is well positioned to grow the GI business even as it presses ahead with the completion of the disposal of the M&S business. Now truly its value creator and growth driver that is proven and well established, GI is expected to continue to grow its contributions and generate long-term, recurring, high-quality cashflows for the Group.

China was the only major economy in the world to grow in 2020 and it continues to power ahead in 2021. 1Q GDP rose 18.3% YoY and 0.6% QoQ, with the rebound defined by robust growth in international trade and domestic consumption, as highlighted by the 38.7% YoY growth in exports, 19.3% growth in imports and 33.9% YoY growth in total retail sales of consumer goods in 1Q.<sup>4</sup> For 2021, the government's official GDP growth forecast is "more than 6%"<sup>5</sup>, which has been estimated by private economists to range from 7.8% by OECD<sup>6</sup> to 9.3% by Bloomberg Economics<sup>7</sup>, with the International Monetary Fund<sup>8</sup> and a Nikkei poll of China economists<sup>9</sup> forecasting 8.4% and 8.5% growth rates on average, respectively.

Sunpower's GI business supports such growth through the provision of clean steam for industrial parks and clean heating for residential and commercial areas in the following ways.

- (1) Steam is a non-discretionary input used for production by our industrial customers in the industrial parks which are the main components of GDP that supports China's continued economic growth.
- (2) Its energy-efficient centralised GI facilities help to reduce the aggregate output of air pollutants, including carbon dioxide (CO<sub>2</sub>), through (a) the installation of environmental protection equipment in its plants to strip out such pollutants from plant emissions before they reach the air, and (b) by reducing the overall consumption of dirty fuels, as just one efficient, environmentally-friendly centralised GI plant can replace many inefficient high-emission stand-alone boilers that customers are mandated by law to shut down.
- (3) Sunpower's GI facilities enable the virtuous circle of the Circular Economy model. With advanced technology, the production materials of the GI projects, sewage and sludge within the industrial park are recycled, reused and repurposed, resulting in the waste outputs becoming the production inputs of another company or industry downstream. The model acts as additional protection against environmental harm caused by resource wastage.

The strategic direction of Sunpower's GI business is in line with the main objectives and tasks of the "14<sup>th</sup> Five Year Plan" Period in the area of green development and the harmonious co-existence of man and nature, which are to coordinate the promotion of high-quality economic development and high-level protection of the ecological environment, and to reduce energy consumption per unit of GDP and carbon dioxide emissions per unit of GDP by 13.5% and 18% respectively.<sup>10</sup>

For 2021, Sunpower intends to continue to execute the following two-pronged strategy with emphasis on the quality of development that amplifies its strengths:

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<sup>4</sup> [http://www.stats.gov.cn/english/PressRelease/202104/t20210416\\_1816315.html](http://www.stats.gov.cn/english/PressRelease/202104/t20210416_1816315.html)

<sup>5</sup> <https://www.cnbc.com/2021/03/05/china-sets-2021-gdp-growth-target-of-over-6percent.html>

<sup>6</sup> <https://www.globaltimes.cn/page/202103/1217900.shtml#:~:text=The%20IMF%20projects%20China's%20economy,than%208.5%20percent%20for%202021>

<sup>7</sup> <https://www.forbes.com/sites/brendanahern/2021/03/26/asia-gains-2021-china-gdp-forecast-raised-week-in-review/?sh=25fa9a60781c>

<sup>8</sup> <https://www.globaltimes.cn/page/202104/1220371.shtml>

<sup>9</sup> <https://asia.nikkei.com/Economy/China-2021-GDP-to-beat-target-on-COVID-bounce-Nikkei-survey>

<sup>10</sup> <http://www.gov.cn/guowuyuan/zfgzbg.htm>

- (1) By solidifying its market position as an environmentally clean centralised provider of industrial steam, heating and electricity through (a) the continuous ramp-up of utilisation 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; and (c) the continuous cultivation of the earnings quality and asset returns of existing projects, as well as
- (2) By tapping into its proven ability to identify and invest in additional promising GI projects that meet the investment hurdles of the Company.

Barring unforeseen circumstances, the Group expects the business trends summarized below to benefit the GI business in FY2021. Please note that Sunpower's financial results<sup>11</sup> should be viewed on a 12-month basis to arrive at a balanced perspective.

**Anticipated additional contributions from new plants, namely:**

- Shantou Project, where Phase 1 is in commercial operation and will continue to ramp up rapidly, while Phase 2 construction is expected to be completed in 2021.
- Xintai Zhengda Project, where part of the new facility is in commercial operation, and construction of the remaining part is expected to be completed in 2021.
- Tongshan Project, where construction of Phase 1 is expected to be completed in 2021.

**Continued ramp-up and enhancement of all existing greenfield and acquired GI plants, namely:**

- Continuous connection of new customers, following mandatory closures of small dirty boilers, mandatory location and/or relocation of new factories into industrial parks, and/or organic growth of customers and industrial parks served by the Group's GI plants.
- Anticipated increase in demand for steam when Xinyuan Plant starts to supply clean heating to its new 2 million m<sup>2</sup> concession area in Jimo International Trade Park.
- Changrun Project will start to supply Sanli under its 25-year exclusive supply contract once the construction of the connecting pipeline network is completed in 2021.

**Mr. Ma Ming, Executive Director of Sunpower, commented:**

“We experienced a promising start to the year with the excellent 1Q 2021 performance that is in line with our expectations. In particular, our GI business performed well and I am very confident we can achieve our target, given the Group's possession of long-term operating concessions which are highly-sought-after assets and China's strong support of environmentally sustainable economic growth. The sizeable GI portfolio already forms the bulk of Sunpower's intrinsic value<sup>12</sup>.”

Going forward, the Group will intensify efforts to cultivate and enhance the quality of its existing GI projects, greenfield and acquired projects alike, to achieve even stronger, better quality growth which will further boost the investment returns and value of its assets in the long term, and will also seek suitable opportunities to expand the portfolio, either by procuring new GI projects with exclusive long-term concessions or to embark on further phases of expansion for certain existing projects.”

**-END-**

<sup>11</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.

<sup>12</sup> Expressed as the Net Present Value (“NPV”) of cash flows over the concession period that will be substantially higher than the latest contributions

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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 Limited**

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Founded in 1997, Sunpower Group Ltd. (SGX: 5GD.SI) is an environmental protection solutions specialist in proprietary energy saving and clean power technologies, with a strong focus on expanding into anti-pollution investment projects (“Green Investments”) which generate intrinsic value in the form of long-term, recurring and high-quality cash flows.

With proven capabilities in technology innovation and proprietary clean energy solutions, Sunpower is shaping a green future for itself by continuously developing its business segments of Green Investments (GI) and Manufacturing & Services (M&S). Sunpower has rapidly expanded its GI business in recent years by leveraging on its existing core technologies of high-efficiency heat transfer, long distance heat insulated steam distribution, energy saving and ultra-low emission clean power generation. The GI segment, mainly focused on the investment and operation of centralised steam and electricity supply business, has brought in an additional stream of recurring income to the Company.

For more information, please refer to: <http://en.sunpower.com.cn>

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