

Sunpower's GI business performed well in 1H 2021 with GI PATMI¹ up 37.0% YoY to RMB91.8 million

Results Highlights

- Completed disposal of M&S business to unlock value and improved return for shareholders

Paid substantial Special Dividend of S\$0.2412 per share

Recognised gain on disposal of RMB934.0 million

Green Investments (GI) is now the principal business of the Group

GI performance remains strong, driven by continued ramp-up of GI plants

Total steam sales volume for 1H2021 grew by 73.2% YoY to 3.93 million tons

GI revenue rose 77.3% YoY to record RMB906.6 million

GI EBITDA² rose 50.0% YoY to RMB 281.3 million

GI PATMI¹ grew 37.0% YoY to RMB91.8 million in 1H 2021

GI operating cashflow³ rose to RMB156.0 million

- Group results boosted by gain on M&S disposal and excellent GI performance

PATMI⁴ rose 247.2% YoY to RMB602.5 million due to gain on disposal and strong GI results

Group underlying operating cash flow rose 64.7% YoY to RMB265.5 million

Singapore, 11 August 2021 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of industrial steam with a sizeable portfolio of 100%-recurring, long-term, cash-generating Green Investments (“GI”) projects that uses innovative integrated environmental-protection technologies to facilitate the development of the circular economy and help China attain carbon peak and carbon neutrality, today announced its financial results for the six months to 30 June 2021 (“1H 2021”).

Group Financial Highlights (Without Financial Effects of Convertible Bonds and Warrants)

| RMB million | 2Q 2021 | YoY chg | 1H 2021 | YoY chg |
|------------------------------|---------|---------|---------|---------|
| Profit before income tax | 778.2 | 394.4% | 855.8 | 281.8% |
| PATMI ⁴ | 542.8 | 343.2% | 602.5 | 247.2% |
| EPS (RMB cents) ⁵ | 68.5 | 341.7% | 76.1 | 246.0% |

GI Financial Highlights (Without Financial Effects of Convertible Bonds and Warrants)

| RMB million | 1H 2020 | 1H 2021 | YoY chg |
|------------------------------------|---------|---------|---------|
| Revenue | 511.4 | 906.6 | 77.3% |
| GI EBITDA ² | 187.5 | 281.3 | 50.0% |
| GI PATMI ¹ | 67.0 | 91.8 | 37.0% |
| GI operating cashflow ³ | 24.1 | 156.0 | 548.2% |

¹ GI PATMI refers to Profit After Tax and Minority Interests of the GI Business, which reflects the profit of GI business attributable to the Group. It excludes the 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.

² GI EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes the 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 true operating results of the GI business.

³ GI Operating Cashflow refers to cashflow generated by operating activities of the GI Business.

⁴ 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.

⁵ Based on PATMI and weighted average number of outstanding ordinary shares of 792.0 million in 1H 2021 and 789.3 million in 1H 2020.

Key Investment Highlights

- Leading provider of industrial steam with development strategy aligned with national policies**
 Within 3 years from the first CB issue in 2017, Sunpower has scaled up to 9 projects in operation and 2 in construction with a proven track record, leading market position and strong brand equity. Its long-term growth strategy is aligned with national policies on CO₂ reduction, energy conservation and smog control. Multiple pollution sources can be eliminated with just one centralised GI plant within a circular economy industrial park that helps the park attain zero emissions and allows Sunpower to increase revenue and reduce cost.
- Superior GI business model that generates 100%-recurring, long-term income and cash flows**
 GI's superior business model is based on exclusive concessions of typically 30 years with first right to renew that confer a strong market position to supply steam, a non-discretionary input product, to a large base of customers that provides resilient counter-cyclical demand, bolstered by technologies that act as entry barriers against competition. Direct B2B arrangements with customers enable GI plants to require either pre-payment or immediate post-payment, and a contractual fuel cost pass-through mechanism that allows reliable long-term profitability across cycles.
- Excellent financial performance with high margins and strong cash generation**
 Sunpower has proven its ability to sustain excellent financial performance with high profitability and strong cash generation.
- Well-positioned to gain long-term growth potential**
 Sunpower is well-positioned to benefit from customers' natural organic growth as the mandatory closures of small dirty boilers redirect steam demand to its clean centralised GI plants and as more factories relocate to industrial parks served by GI plants. Long-term sustainable growth will come from the large addressable market and strong project pipeline.
- Practises ESG and sustainability values in every aspect**
 Sunpower is committed to better sustainability in its business by incorporating environmental, social and governance (ESG) values it does. In this way, it supports the ecologically sustainable development of China's economy, and aims to help China achieve its national CO₂ emission 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 and a refined and standardised management approach.
- DCP and CDH are strategic institutional investors that support the group**
 They are among the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies in China.



Financials

As the GI business went from strength to strength, the strong 1H 2021 performance proved the recurring, high-quality nature of Sunpower's GI development strategy that is creating sustainable value for the Group in the long-term.

Total steam sales volume grew 73.2% to 3.93 million tons in 1H 2021, boosted by (a) robust ramping-up of new plants such as Shantou Phase 1; (b) connections to new customers; and (c) organic expansion of existing customers' already-resilient businesses.

As a result, GI revenue grew 77.3% YoY to RMB906.6 million. GI EBITDA⁶ and GI PATMI⁶ grew 50.0% YoY and 37.0% YoY to RMB281.3 million and RMB91.8 million respectively due to Sunpower's sophisticated management and strong operational capabilities. GI operating cashflow⁶ in 1H2021 increased to RMB156.0 million, demonstrating GI's excellent capabilities of generating recurring cashflows.

Following the disposal, the M&S business was deconsolidated on 30 April 2021. A substantial gain on disposal of RMB934.0 million was recorded, boosting group PATMI⁶ to RMB602.5 million in 1H 2021, up 247.2% YoY. Group underlying operating cash flow rose 64.7% YoY to RMB265.5 million.

Business Update

Sunpower 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.

Update on Shantou Project:

- **Rapid ramp up of Phase 1 since the beginning of 2021 and will continue to ramp up with connections to additional customers in the Park**
- **New revenue sources are being added, e.g. compressed air, sludge incineration, sales of waste products, etc**
- **Phase 2 is expected to commence production in 2021 to meet customers' robust demand**

Shantou Project is Sunpower's 51%-owned steam and electricity cogeneration plant in the Shantou Textile Circular Economy Industrial Park in Chaonan District of Shantou City, Guangdong Province (the "Park") with a 38.5 year concession. The combined current designed capacity of Phase 1 (which started commercial operations in 4Q 2020) and Phase 2 (under construction) is 970 tons/hour of steam and 100 MW of electricity, making it the largest project in Sunpower's GI portfolio.

Shantou Project is one of the key water pollution control and alleviation measures put in place to clean up heavily-polluted Lianjiang River, specially built to supply 128 printing & dyeing companies that qualified to be relocated from their previous sites along Lianjiang River into the Park on an accelerated basis. In addition to controlling air and water pollution along the river, Shantou Project promotes the built-up of circular economy activities in the Park and ensures long-term employment amidst the sustainable development of the area's dyed textile and garment industry, a pillar industry in Shantou City that has helped make China a major producer of garments such as jeans and women's wear.

Shantou has large potential as it is the exclusive steam supplier in the park, and the accelerated relocation of local printing & dyeing companies into the park is boosting its ramp-up.

⁶ Please refer to footnote explanations on page 1

Shantou Project



Lianjiang River (before)

– water blackened by dyes; air heavily polluted



Lianjiang River (after)

– clear water with clean air and blue sky



Updates on other GI projects:

- **Changrun Project:** Steam supply to new large customer Sanli started in May 2021 following the completion of the pipeline connection.
- **Yongxing Plant:** Commencement of blended sludge combustion in 1Q 2021 improved efficiency and increased revenue.
- **Xintai Zhengda Project:** The remaining part is under construction and is expected to be completed by the end of 2021.
- **Xinyuan Plant:** The construction of the city heating network system for the newly-added 2 million m² concession area in Jimo International Trade Park is expected to be completed in 3Q 2021.
- **Projects under construction:** Tongshan and Shanxi Xinjiang Projects are progressing as planned, and are expected to start operations in 2021 and 2022 respectively.

- **Sizeable GI portfolio:**
 - 9 plants in operation
 - 2 plants under construction
 - Robust pipeline
- **Total length of GI pipelines currently:**
> 300km
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Number of GI customer industries: > 20**
- **Current number of customers : ~480**



Outlook

With a stronger balance sheet following the disposal of the M&S business, Sunpower is well positioned to take the GI business to even greater heights. GI is expected to continue to generate 100%-recurring, long-term, high-quality income and cashflows for the Group.

China's GDP grew 12.7% YoY in 1H 2021 to RMB53.2 trillion. Overall, the economy of China improved in a stable way⁷, and the recovery of the global economy has also led to greater external demand⁸. However, due to the global economic recovery and the impact of easing monetary policy, commodity prices have been continuously increasing this year⁹ which pushes up the cost of raw materials and adds pressure to the production and operation of some downstream enterprises¹⁰. The Chinese government has rolled out a series of measures to secure supply and stabilise the prices of commodities¹¹.

The recently-issued "14th Five-Year Plan for Circular Economy Development" by the National Development and Reform Commission (NDRC) promotes the circular economy and centralized steam facilities as part of China's efforts to achieve its carbon peak and carbon neutral goals. Sunpower is well positioned to benefit as it is already a pioneer in circular economy and centralized steam facilities through its GI plants.

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

- (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 its existing GI portfolio, supported by further expansion of the coverage areas and customer base of the projects but with less intense capital expenditure; (b) proceeding with the planned construction of the expansion phases of certain existing projects; (c) continuous closure of small "dirty" boilers; and (d) the continuous cultivation of the earnings quality and asset returns of existing projects, and

⁷ http://wap.stats.gov.cn/fb/202107/t20210715_1819461.html

⁸ http://www.stats.gov.cn/english/PressRelease/202107/t20210715_1819447.html

⁹ <https://m.gmw.cn/baijia/2021-05/07/1302276639.html>

¹⁰ <http://enapp.globaltimes.cn/article/1223660>

¹¹ <https://baijiahao.baidu.com/s?id=1707784145390518922&wfr=spider&for=pc>

- (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 its business in FY2021. Please note that Sunpower's financial results¹² 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 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, expansion of coverage area, 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 m² concession area in Jimo International Trade Park.
- Changrun Project has recently started to supply Sanli under its 25-year exclusive supply contract in May 2021 following the completion of the connecting pipeline.

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

“It has been a busy but satisfying time in 1H 2021. We successfully completed the disposal of the M&S business and was able to return a substantial amount of capital to shareholders and bondholders. I thank them for their investment and belief in Sunpower. Due to our leading market position and effective cost management measures, we were also able to capture the strong growth potential of the GI business in 1H 2021 with a robust double-digit jump in GI revenue.

Going forward, we will leverage on all of our resources to steer the development of the GI business. Meanwhile, 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.”

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Forward-looking Statement

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

¹² 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.

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 its Manufacturing and Services ("M&S") business for an attractive consideration that unlocked value and improved investment returns for investors. To reward shareholders and bondholders, a substantial Special Dividend of S\$0.2412 a share was declared and paid in 2021. Following the monetisation of M&S, the sole principal business of the Group is the "Green Investments" ("GI") business where it has a sizeable portfolio of GI projects that generate 100% recurring, long-term, high-quality income and cashflow.

Sunpower is successfully expanding the GI business by leveraging on its robust and replicable business model with unique competitive edge to unlock the long-term growth potential. With the application of innovative technology packages that raise high entry barriers, a proven effective management team to provide leadership and execution capabilities in operations and risk management, and the strong support of strategic investors DCP and CDH, Sunpower is continuously shaping a green future for itself as it takes its green, low-carbon, circular economy GI business to greater heights.

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

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