



SUNPOWER GROUP LTD.

Investor Presentation
15 May 2022





AGENDA

01 Sunpower Group At a Glance

02 Investment Highlights

03 Financial Highlights

04 Project Updates

05 Outlook

06 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 industrial steam that generates recurring, long-term, high-quality income and cashflows on **typically 30-year concessions**
- Pioneer in the development of the **circular economy** and attaining **Carbon Peak and Carbon Neutrality**. Practices ESG and sustainability values in all aspects
- **Sizeable Green Investments (“GI”) portfolio:** 11 projects, with 10 operational and 1 under construction
- B2B model, proven ability to provide a **high Net Present Value (NPV)** of long-term and recurring cashflows, backed by an attractive double-digit project IRR
- Total steam sales volume grew 22.6% YoY to **2.16 million tons** for 1Q2022. GI recurring revenue rose 53.1% YoY to RMB648.7 million in 1Q2022
- Recognized as a member by national and provincial level associations including **China Association of Environmental Protection Industry** for its contributions and leadership
- A substantial **special dividend of S\$0.2412** per share following the disposal of M&S business in 2021 that unlocks value and improves investor return



Sunpower Group at a Glance

Green Investments

Focused on the investment and operation of centralized 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

Position

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

Sizeable GI Portfolio

10 plants in operation
1 under construction
Robust pipeline

Recurring Income and
Cashflow by GI plants

100%

Circular Economy Model

Helps industrial parks achieve
ultra-low emissions

Exclusive
Concessions

Typically **~30** years

Total Pipeline Length
~372 km

Ultra-low Emissions Capability

Capable of emissions below national standards of
natural gas for the following pollutants
Dust <5 mg/m³, SO₂<35 mg/m³, NO_x <50 mg/m³

No. of Customer
Industries
~20

No. of Customers
~525





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Investment Highlights

- 1 **Leading** Industrial Service Provider with Long-term Strategy in **Alignment** with Government Policies
- 2 Robust and **Superior Business Model** Generating **Long-term, High-quality, Recurring** Income and Cash Flows
- 3 **Robust Financial Performance** with Rapid Growth and Solid 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 under construction
- › **Industry pioneer with strong brand equity**

2021 CHINA TOP ENERGY GROUP 500 LIST



BEST MANAGED COMPANIES
民企卓越管理公司

March 2017

0 projects in operation

1st mover in the industry

2021

10 projects in operation

1 project under construction



To Build Sizeable GI portfolio

On track to unlock enormous potential of GI strategy

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 closed **several hundred** 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 CO₂ emissions > **600,000 tons** ⁽¹⁾



Expected to replace **more** high-polluting small boilers ⁽¹⁾



Annual reduction of dust, SO₂ and NO_x > **65,000 tons** ⁽¹⁾

⁽¹⁾ by end of 2021

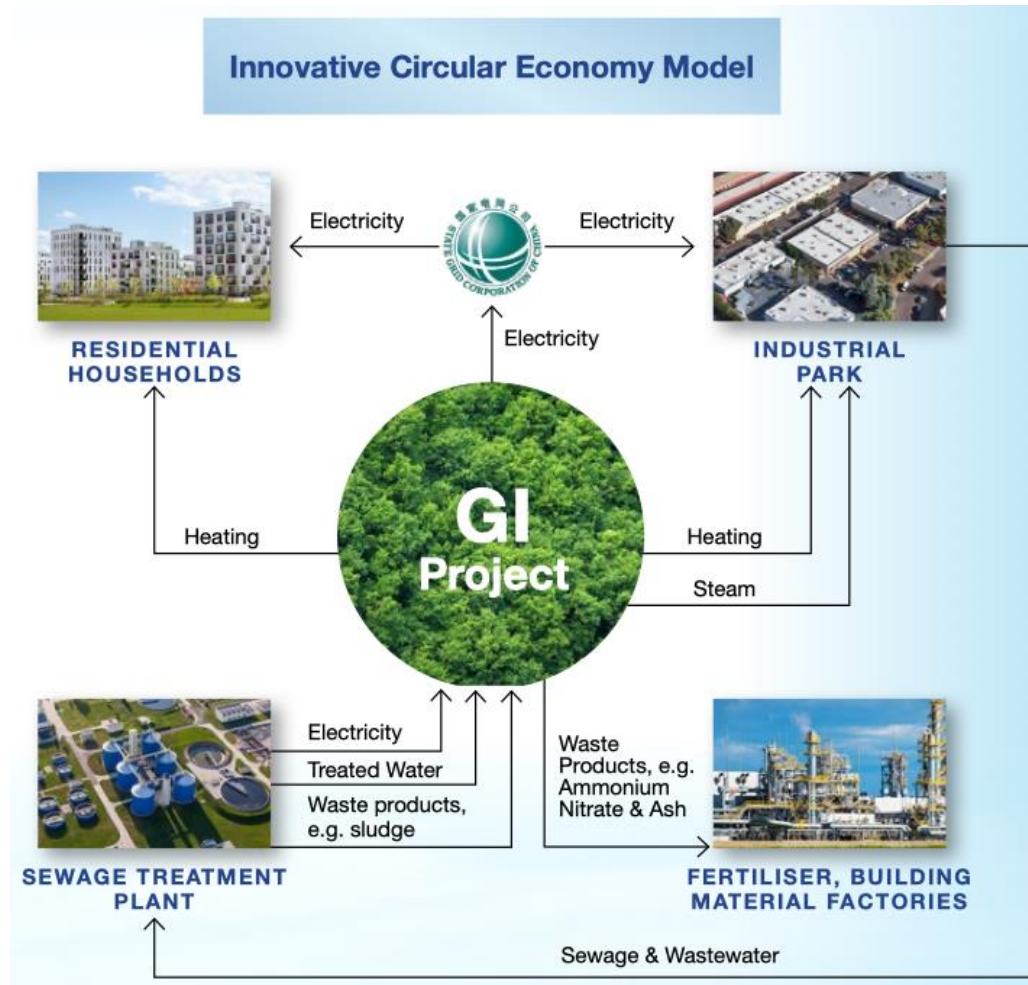


Leading Industrial Service Provider with Long-term Strategy in Alignment with Government Policies

03

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

The 14th Five-Year Plan promotes development of **circular economy** industrial parks and **centralized 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 and Cash Flows

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 steam

02

Strong tariff collection

- B2B business model
- Contracts are signed with customers instead of the government

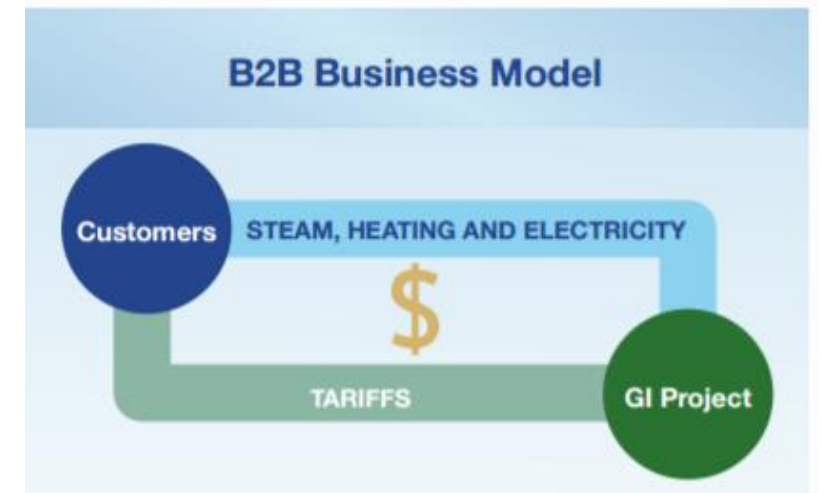
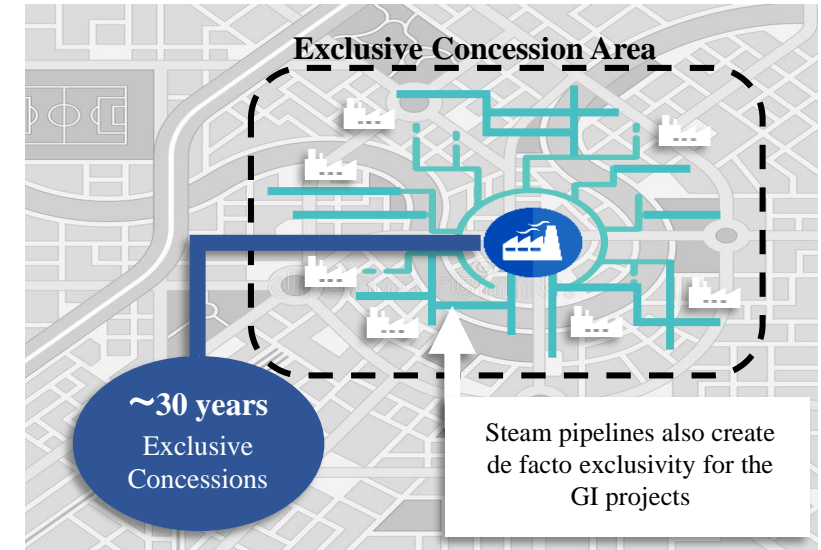
High-quality cashflows

- Able to require customers to prepay or pay immediately after use, as steam is a non-discretionary production input and Sunpower is the exclusive steam supplier within its coverage area.

03

Price formation mechanism that links feedstock cost to steam price

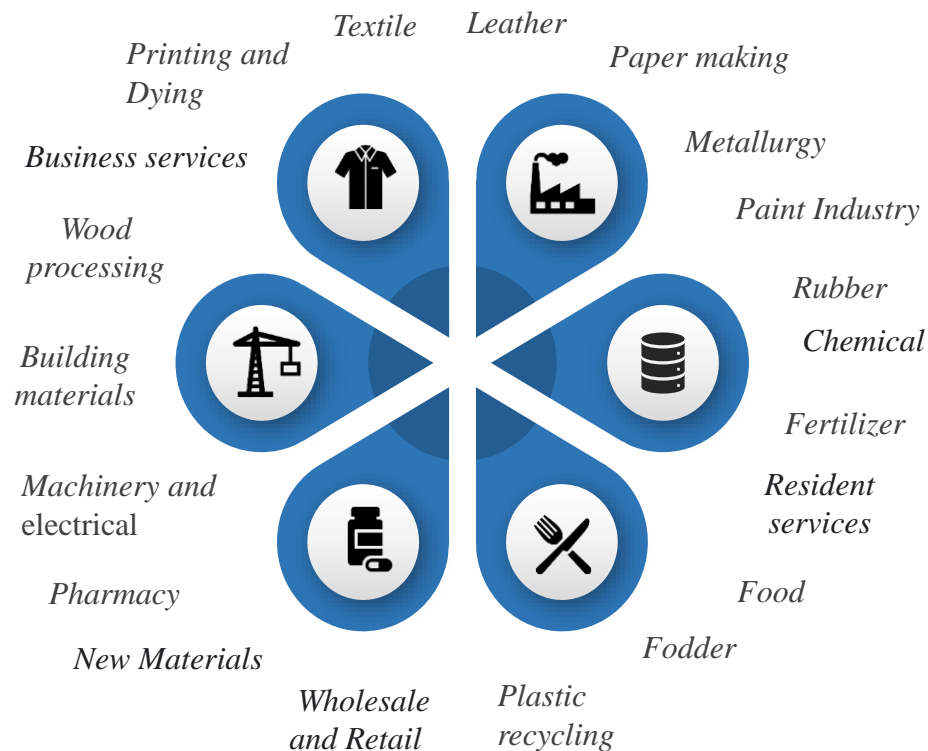
- Allows long-term profitability when viewed across cycles
- Maintain operational flexibility to achieve long-term sustainable growth



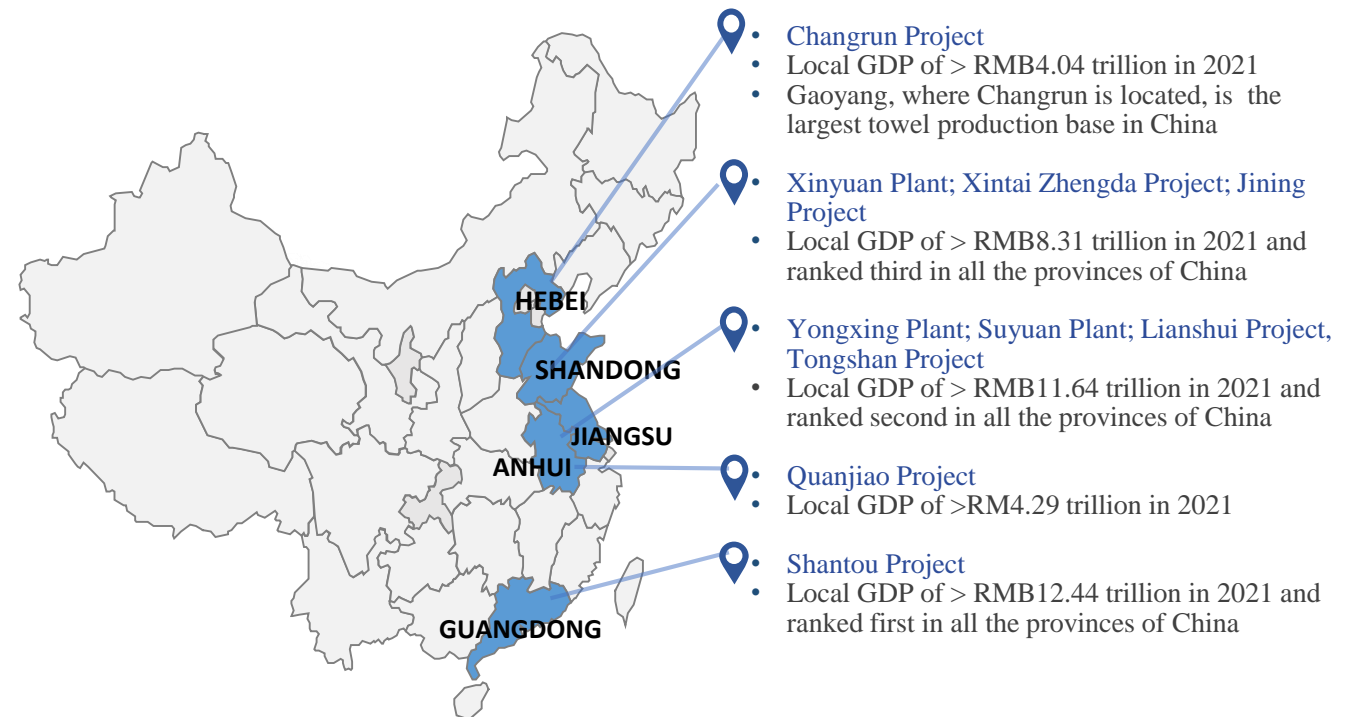
Robust and Superior Business Model Generating Long-term, High-quality, Recurring Income and Cash Flows

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 industry clusters of excellence within economically-developed areas

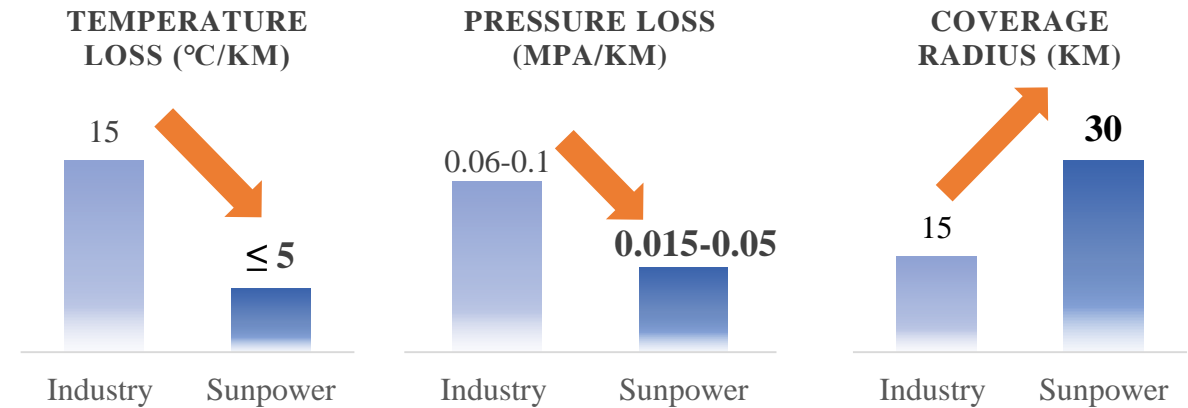


Robust and Superior Business Model Generating Long-term, High-quality, Recurring Income and Cash Flows

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
 - Desulphurization 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 economizer 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 even be lower than emission standard of natural gas

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

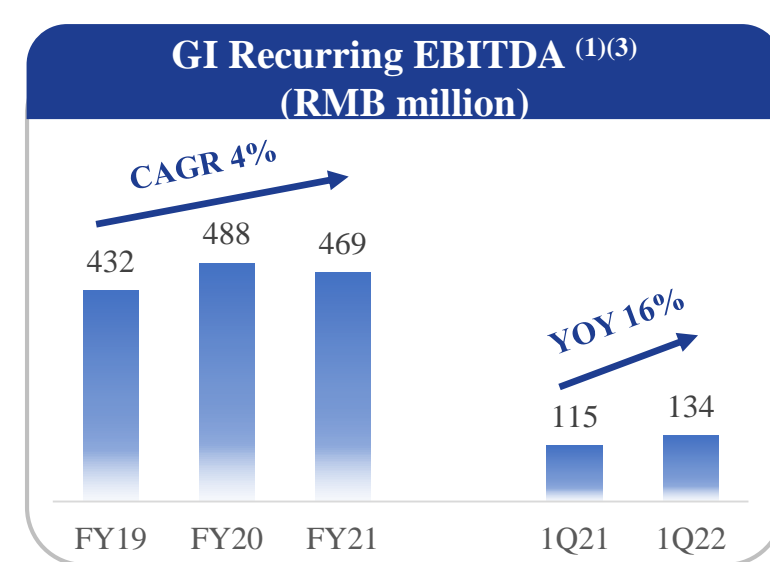
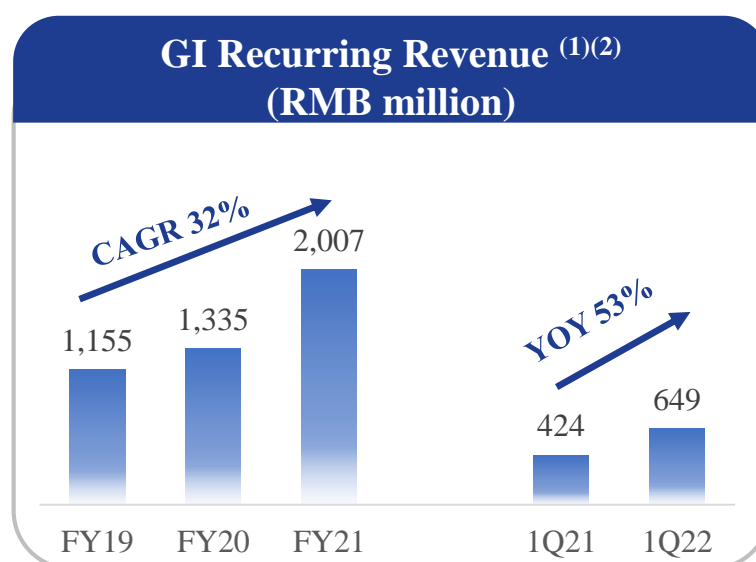
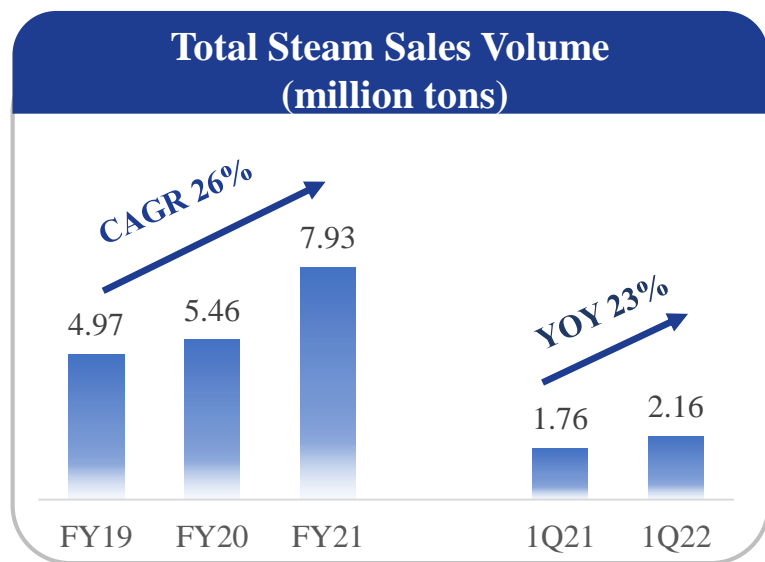
(2) 'Emission Standard of Air Pollutants for Thermal Power Plants' by the Ministry of Ecology and Environment of the PRC (GB 13223-2011)

http://www.mee.gov.cn/ywgz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrwpfbz/201109/t20110921_217534.shtml

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

Robust Financial Performance with Growth

- For 1Q 2022, total steam sales volume rose 22.6% YoY to 2.16 million tons due to the continued ramp-up of the GI projects including Shantou Project, bolstered by strong demand from end-customers.
- GI recurring revenue grew 53.1% YoY to RMB648.7 million. The significant growth was mainly attributable to the ramp-up of steam sales volume and an increase in steam price achieved through the utilisation of the price formation mechanism that links feedstock cost to steam price.
- GI recurring EBITDA grew 15.7% YoY to RMB133.5 million. Growth achieved despite challenges.



- (1) 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 comprehensive financial results statements released at the same time.
- (2) GI recurring revenue refers to recurring revenue generated by the GI business. It excludes one-time contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised in accordance with IFRIC 12 Service Concession Arrangements.
- (3) 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 M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time contributions from internal EPC services for BOT projects 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 and is expected to have long-term growth potential

Key Growth Drivers



Organic growth of customers and industrial parks served by GI plants



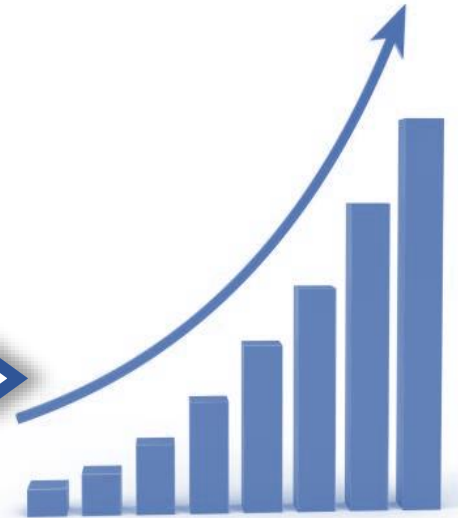
Continuous closures of small dirty boilers drive demand to centralised facilities



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



Technological transformation and upgrades that improve project profitability



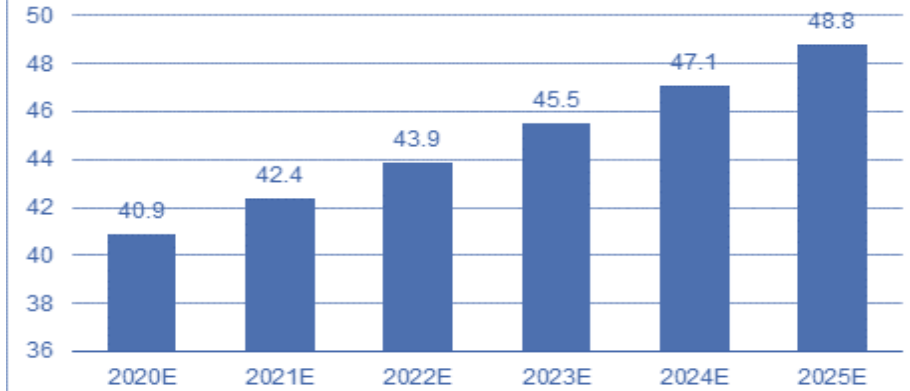
Well-positioned to Realise Long-term Growth Potential with Established Sizeable Portfolio and Strong Pipeline

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 is forecasted to ~4.88 billion GJ by 2025*. 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 2020 to 2025 (100 million GJ)



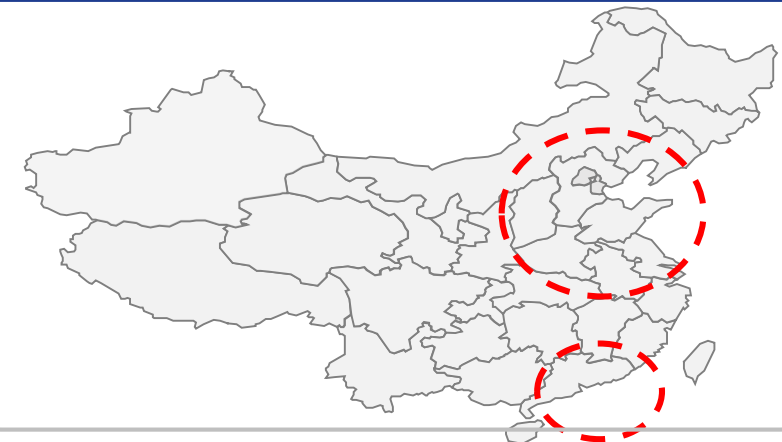
03

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

Disciplined investment strategy

Robust pipeline of projects in different stages of evaluation including a couple of projects in late stages of evaluation

Pipeline under Evaluation



* <https://m.chyxx.com/view/874350.html>

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 high personal integrity and follow international best practices in corporate governance

➤ Top management team remains stable

- Post-M&S disposal, the GI business continues to be led by Mr Ma Ming, 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*



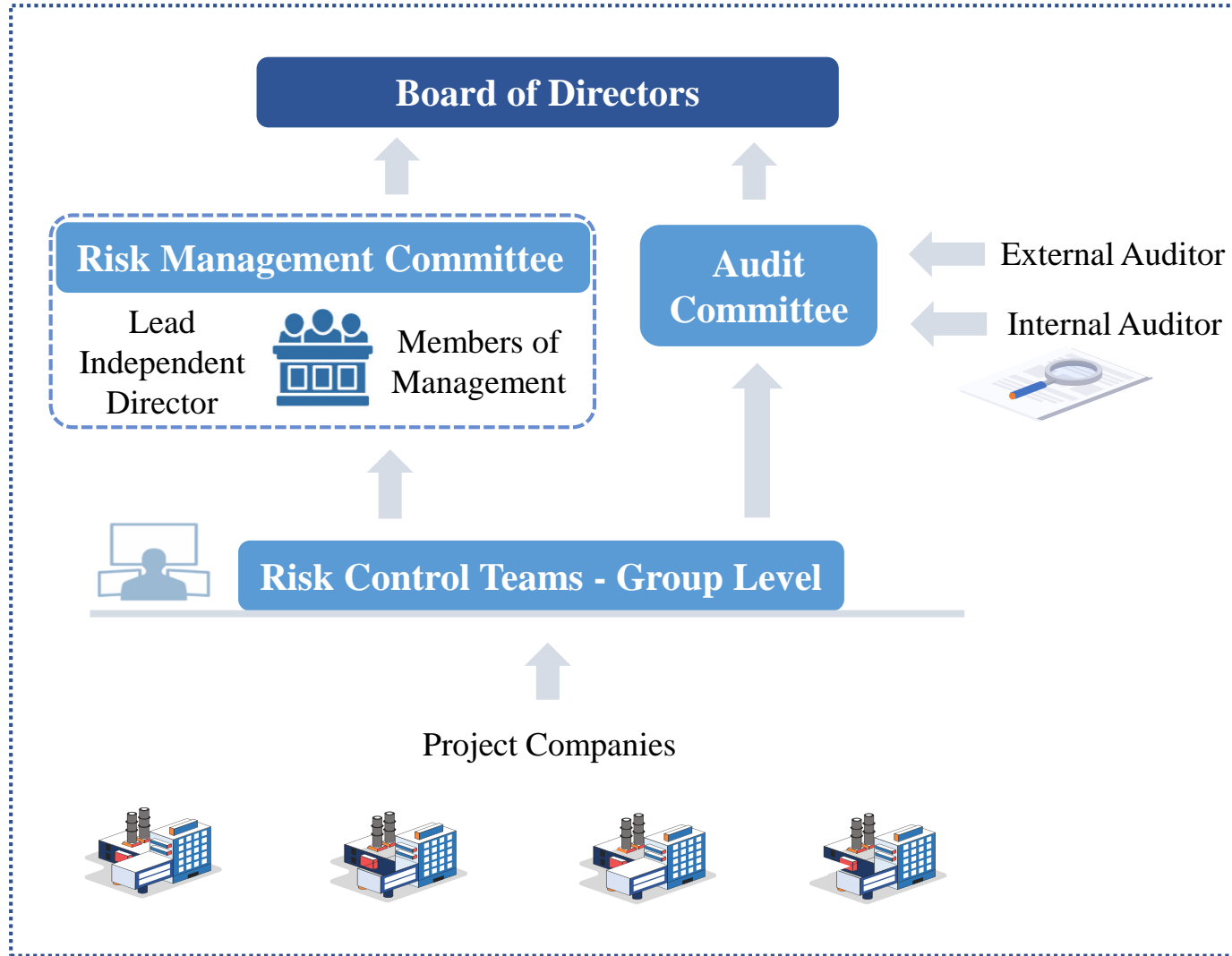
Zheng Xiaodong
Deputy General Manager of JSCE*



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 to the greatest extent possible.
- › 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.
- › With this refined and standardised management approach, **the Group is able to deliver excellent results over the long-term** and achieve a high level of satisfaction from stakeholders, including end-customers and suppliers.

Practises ESG and Sustainability Values in Every Aspect

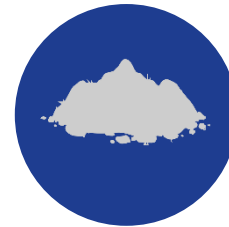
- Committed to sustainability by incorporating environmental, social and governance (ESG) values into every aspect.
- Undertakes the social responsibility to support the sustainable development of the economy and helps to build zero-emission circular economy industrial parks.



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

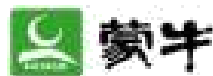
➤ Strong track record of investing and nurturing many leading companies in China

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



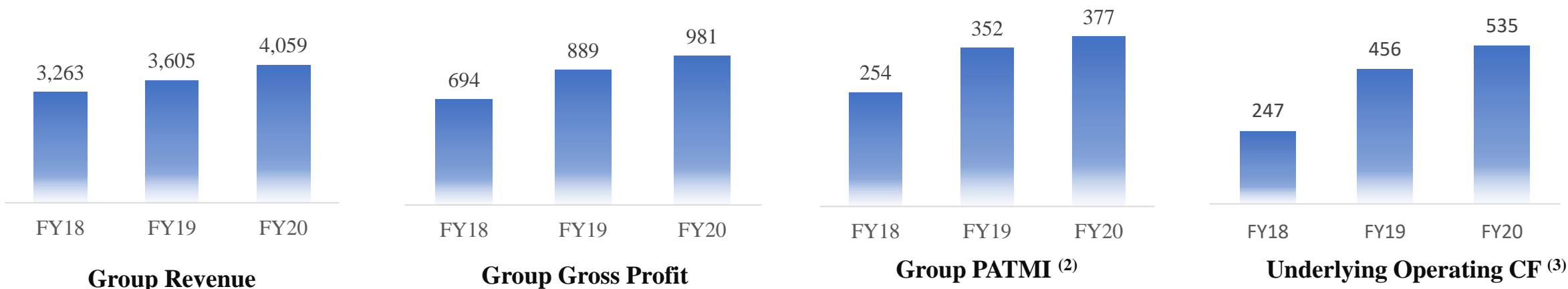
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Focused on the Long-term Growth

- For 1Q 2022, Group Revenue was RMB738.5 million, and Group PATMI was RMB22.4 million ⁽¹⁾.
- The Group's ability to generate a high NPV of high-quality, recurring income and cashflows over the long term is expected to be intact.
- In the longer term, the Group remains in a strong position to benefit from the prospects of the centralised steam supply industry and the long-term development of industrial parks as it has a strong supplier role in the provision of clean steam, a non-discretionary production input, to industrial users.

Historical Yearly Financial Highlights (RMB million)



(1) The Group's financial results in 1Q 2022 and 1Q 2021 are not directly comparable as the Group's financial results in 1Q 2021 included the M&S business, which was deconsolidated on 30 April 2021 following its disposal.

(2) Group PATMI refers to the "Profit/(Loss) for the period" in the "WITHOUT financial effects of Convertible Bonds and Warrants" column of the P&L statement, which adjusts "Profit/(Loss) for the period" 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.

(3) Underlying operating cashflow excludes CB interest of RMB17.4 million in FY18, RMB19.7 million in FY19, RMB22.7 million in FY20 and RMB21.0 million in FY21.



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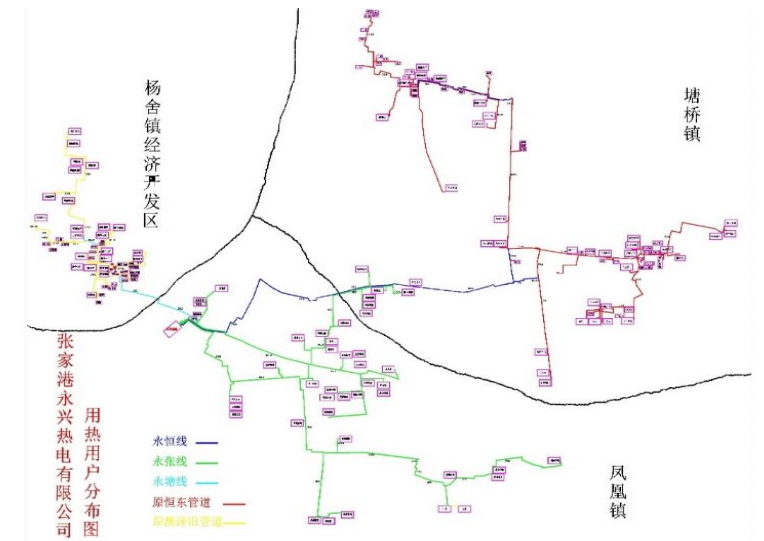
Changrun Project

Investment	Total investment of RMB934 million
Capacity	<ul style="list-style-type: none"> • 2×220t/h (steam) + 2×25MW (electricity). • ~70 km of pipeline
Customer mix	<ul style="list-style-type: none"> • ~75 captive customers.
Product mix	<ul style="list-style-type: none"> • Steam • Electricity
Location	<ul style="list-style-type: none"> • Gaoyang, Hebei Province (supplies 1/3 of towels in the whole of China).
Plant highlights	<ol style="list-style-type: none"> 1. Solid business fundamentals: <ul style="list-style-type: none"> • Added sales of electricity to complement steam from 2018. • Sludge incineration project passed “Project Environmental Completion Acceptance” assessment and went into operation smoothly in 2020. • Steam supply to new customer Sanli started in May. • New customers are being connected. Boiler #2, previously used for backup, is being used to supply steam commercially. 2. Sustainable business model: <ul style="list-style-type: none"> • Exclusive centralized steam supplier: 30-year concession + first right to renew. • “Zero waste” circular economy model: Treated wastewater is used to generate steam, while plant waste outputs are sold to external factories. • Ultra-low emissions. 3. High IRR: double-digit investment returns.



Yongxing Project

Investment	<ul style="list-style-type: none"> • Transaction done at attractive valuation multiple • Total investment of RMB765 million
Capacity	<ul style="list-style-type: none"> • 350t/h (steam)+36MW (electricity) • ~150 km of pipeline.
Customer mix	<ul style="list-style-type: none"> • Captive customers concentrated in diverse, cashflow-rich industries • Textile, printing & dyeing, food, chemical, metallurgy, paper making and others
Product mix	<ul style="list-style-type: none"> • Steam & electricity
Location	Zhangjiagang, Suzhou, Jiangsu Province
Plant highlights	<ol style="list-style-type: none"> 1. Strong fundamentals 2. Latest status: <ul style="list-style-type: none"> • Post-acquisition upgrades completed. Strong improvements seen in operational efficiency and financial results. • Commencement of blended sludge combustion in 1Q2021 improved efficiency and increased revenue. • JV to supply industrial steam using general solid waste as feedstock, which will diversify the Group's feedstock mix, is expected to start construction in 2022. 3. Sustainable business model: <ul style="list-style-type: none"> • Exclusive centralized steam supplier. • Cost effective: River water used to generate steam. Zero waste. 4. Ultra-low emissions: lower than natural gas. 5. Long-term growth potential supported by organic growth of large customer base. 6. High IRR: double-digit investment returns.



Shantou Project - Phase 1 in Full Operation; One Boiler of Phase 2 in Trial Production

Investment	<ul style="list-style-type: none"> Phase 1: RMB 167 million (Currently in full operation) Phase 2: RMB 133 million (One boiler of Phase 2 in trial production while remaining boilers are being brought online as soon as possible)
Current Designed steam capacity (t/h)	<ul style="list-style-type: none"> Phase 1: 3×150 (=450) Phase 1 + Phase 2: 3×150 + 2×260 (=970) ~22 km of pipeline
Location	<ul style="list-style-type: none"> Shantou Textile Circular Economy Industrial Park managed by Chaonan Textile, Printing and Dyeing Comprehensive Environmental Treatment Center
Plant highlights	<ol style="list-style-type: none"> Strong fundamentals: Exclusive steam supplier with 38.5 years concession. Ready-made, resilient customer base:~128 qualified printing & dyeing companies relocating into the park in phases. Strong demand from the ~128 qualified printing & dyeing companies that have substantially moved into the industrial park. New revenue sources have been added, e.g. compressed air, waste products, sludge incineration services, etc. Large potential: Textile and garment dyeing industry is a pillar industry in Shantou which contributed ~30% of the local GDP in 2017. Shantou is a major national producer of garments and has an established industry cluster. Anticipated strong contributions of long-term, recurring and high-quality income and cashflows, with attractive double-digit IRR. Urgent need to deal with river pollution: Shantou Project is a key water pollution control and alleviation measure to clean up heavily-polluted Lianjiang River.



Xinyuan Project

Investment	<ul style="list-style-type: none">Total investment of ~RMB250 million
Capacity	<ul style="list-style-type: none">Steam: 3×75+220 t/h (=445 t/h)Electricity: 2×6+25 M/W (=37 M/W)
Customer mix	<ul style="list-style-type: none">Captive customers concentrated in energy, printing and dyeing, clothing industries etc.
Location	<ul style="list-style-type: none">Jimo, Qingdao, Shandong Province
Plant highlights	<ol style="list-style-type: none">Steady growth in the business of steam supply due to solid customer base in the local area, and its current manufacturing capacities have yielded stable sales of electricity.Development potential of Jimo district is expected to boost growth in the business of Xinyuan Project.Further expanded clean heating supply coverage area by 2 million m² area in Jimo International Trade Park. The city heating network system for the new concession area in Jimo International Trade Park has been completed and heat supply is planned to start in the heating season of 2022.Professional and experienced team that ensures continued smooth operation.



Suyuan Project

Investment	Total investment of ~RMB293 million
Capacity	<ul style="list-style-type: none"> • Steam: 1×90 (t/h) + 2×75t/h • Electricity: 1×B7MW
Customer mix	<ul style="list-style-type: none"> • ~49 captive customers in printing & dyeing industries • Downstream customers are recovering from the pandemic
Location	<ul style="list-style-type: none"> • Changshu, Suzhou, Jiangsu Province • The textile industry has been a mainstay of Changshu’s economy for the last 40 years with annual turnover of >RMB100 billion
Plant highlights	<ol style="list-style-type: none"> 1. Major upgrades: Operational performance and efficiency are further improved with substantial completion of plant upgrades. 2. Promising addition to the GI portfolio, with a positive and growing impact on medium to long term profitability. Projected to have attractive IRR. 3. Exclusive centralized steam supplier within its coverage area. 4. Steam and electricity businesses have grown steadily in past 4 years. 5. Steam sales continued to grow due to newly-added customers, increased demand, etc. 6. Established industry cluster in Changshu provides Suyuan Plant with a resilient and attractive customer base. 7. Continuously upgrading and reforming and using suitable substitute feedstock to reduce fuel and power consumption costs.



Tongshan Project

Investment	<ul style="list-style-type: none"> • ~RMB420 million for Phase 1
Designed steam capacity (t/h)	<ul style="list-style-type: none"> • Phase 1: 1×130 • Total: 2×130 (=260)
Designed electricity capacity (MW)	<ul style="list-style-type: none"> • Phase 1: 1 x 35 • Total: 2×35 (=70)
Construction completion	<ul style="list-style-type: none"> • The plant has commenced commercial production.
Location	<ul style="list-style-type: none"> • Xuzhou, Jiangsu province, ranked 28th among China's "Top 100 Districts" for investment potential in 2018



Plant highlights	<ul style="list-style-type: none"> • Diversifies the Group's feedstock mix as Tongshan uses biomass as feedstock, such as bark, straw and other agricultural product waste; part of Group's green development. • Used as a natural gas replacement, biomass as a fuel source to supply steam/heating will help the local government to address people's livelihood issues and alleviate the cost of heating subsidies. It will also reduce pollution and realise energy conservation through the combustion of local agricultural waste. This investment is aligned with China's national development policies and is expected to gain more support from the local government. • Grant of 30-year concession right by the local government, effectively delivering the Group a captive market for heat within a radius of 20 kilometers of the project. • Ready base of resilient customers in the concession area can be expected to ensure immediate customer subscriptions, providing immediate revenue flows for the Project once commissioned. • Abundant local biomass resources can meet the biomass demand of the project.
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Shanxi Xinjiang Project

Investment	<ul style="list-style-type: none"> ~RMB328 million for Phase 1
Designed steam capacity (t/h)	<ul style="list-style-type: none"> Phase 1: 1×130 Total: 3×130 (=390)
Designed electricity capacity (MW)	<ul style="list-style-type: none"> Phase 1: 1×C15 Total: 1×C15+1×C25 (=40)
Construction completion	<ul style="list-style-type: none"> Construction is progressing smoothly and the plant is expected to start operations in 2022
Location	<ul style="list-style-type: none"> Xinjiang Circular Economy Demonstration Park, Economic and Technological Development Zone, Yuncheng City, Shanxi Province
Plant highlights	<ul style="list-style-type: none"> Xinjiang Circular Economy Demonstration Park is a provincial-level industrial park with an established complete upstream and downstream value chain. Existing concentration of high-end customers provides ready pool of demand from industries such as high-end equipment manufacturing, new materials, fine chemicals and dyes. Operating under the concept of circular economy, the park already has centralized utilities infrastructure in place, such as a water treatment facility. Shanxi Province is the largest source of natural fuel resources in China, which will enable Shanxi Xinjiang Project to have access to fuel supply in close proximity.





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FY2022 Outlook

Barring unforeseen circumstances, the Group expects the business trends summarised to benefit its business in FY2022. 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:

- › 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.

➤ Additional contributions from expansion of existing plants and new plants, namely:

- › Expected production launch of Shantou Project Phase 2 in 2022.
- › Xintai Zhengda Project's new plant has been in operation.
- › Tongshan Project has commenced commercial production.
- › Shanxi Xinjiang Project is expected to start operations in 2022.

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

- › Leverage on the price formation mechanism that links feedstock costs to steam prices with greater flexibility and reduction of feedstock price volatility to achieve a new equilibrium in profitability.
- › Continue to deploy the Mitigation Measures.¹

¹ Refer to page 3 of the Earnings Release for a description of the Mitigation Measures

Strategy to Grow Earnings with Quality Remains on Track

For 2022 and beyond, Sunpower intends to continue to execute the two-pronged strategy with emphasis on the quality of development that amplifies its strengths:



**Two-pronged
GI strategy
that
amplifies its
strengths**

(1) By solidifying its market position as an environmentally-clean centralized provider of 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;
- › Proceeding with the planned construction of the expansion phases of certain existing projects
- › Continuous closure of small “dirty” boilers, and
- › Continuous cultivation of the earnings quality and asset returns of existing projects

(2) By tapping into its proven ability to identify and invest in additional promising GI projects that meet the investment hurdles of the Company



Appendices

Financial Effects of Convertible Bonds (CBs) and Warrants

CBs 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 Warrants and (ii) amortised interest charge relating to the amortised cost liability component of the Convertible Bonds and commitment fees of Warrants. 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 Warrants 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 and Warrants consist of unrealised foreign exchange translation, amortised interest expense (inclusive of interest charges) and fair value gain/(loss) of Convertible Bonds and Warrants.

In order to reflect the operating performance of the Group, Sunpower uses PATMI, which 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.

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

(RMB million)	1Q 2022	1Q 2021
Revenue	738.5	423.6
Gross Profit	105.8	85.1
EBITDA	125.9	168.9
Profit for the Period	31.1	27.1

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

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

(RMB million)	As of 31 March 2022	As of 31 December 2021
Cash and cash equivalents & pledged bank deposits	320.7	459.2
Trade Receivables	534.7	422.9
Inventories	60.1	122.7
Total Current Assets	1,374.7	1,367.6
Non-Current Assets	5,468.6	5,237.2
Short-term Borrowings	682.0	594.0
Current Liabilities	1,620.8	1,457.9
Long-term Borrowings	2,197.5	2,142.7
Convertible bonds liability	761.9	773.2
Equity attributable to equity holders of the Company	1,763.8	1,741.7
Total equity	2,036.6	2,005.9

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

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

(RMB million)	1Q 2022	1Q 2021
Net cash (used in) operating activities	(66.3)	202.6
Underlying operating cash flow	(55.0) ⁽¹⁾	223.6 ⁽²⁾
Net cash (used in) investing activities	(196.5)	(526.3)
Net cash from generated from financing activities	125.1	737.6

*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 RMB11.2 million

(2) Underlying operating cash flow adjusting for CB interest of RMB21.0 million



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