

Sunpower's total steam sales volume hits a record 6.79 million tons and GI recurring revenue grows 45.6% YoY to RMB 2.1 billion in 9M 2022

Results Highlights

- Total steam sales volume rose 15.6% YoY to 6.79 million tons in 9M 2022 despite the pandemic and worldwide challenges, due to strong demand for clean steam, a non-discretionary input product
- GI recurring revenue grew even faster, up 45.6% YoY to RMB2,069.7 million in 9M 2022, mainly due to a significant rise in industrial steam price based on the price adjustment mechanism
- GI recurring PATMI strongly improved in 3Q 2022, up 71.5% YoY to RMB51.8 million, while GI recurring PATMI in 9M 2022 rose 8.7% YoY to RMB138.8 million
- YTD performance strongly differentiated Sunpower as a company that can grow despite temporary headwinds

Proven strong demand for clean steam amidst the challenging business environment in 9M 2022 is expected to lay a strong foundation for growth in 2022 and beyond

Sizeable GI project portfolio with a reliable business model continues to ramp up

Singapore, 10 November 2022 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam with a sizeable portfolio of 100%-recurring, long-term, cash-generating Green Investments (“GI”) projects that use innovative integrated environmental protection technologies to facilitate the development of circular economy industrial parks through its centralised steam facilities, announced its results for the nine months to 30 September 2022 (“9M 2022”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	3Q 2022	3Q 2021	YoY Chg	9M 2022	9M 2021	YoY Chg
Total steam sales volume (m tons)	2.25	1.95	15.4%	6.79	5.88	15.6%
GI recurring revenue ¹	710.6	486.0	46.2%	2,069.7	1,421.5 ²	45.6%
GI recurring EBITDA ³	180.6	112.7	60.3%	485.4	408.0	19.0%
GI recurring PATMI ⁴	51.8	30.2	71.5%	138.8	127.7	8.7%

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI operating cashflow” to reflect the operating results of the GI business. This document should be read in conjunction with the Unaudited Interim Financial Statements for the Third Quarter and Nine Months Ended 30 September 2022 released at the same time.

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

² Restated from RMB1,392.6 million previously

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 Manufacturing & Services (M&S) business disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time contributions from services for BOT projects, including EPC services, that are provided by the Group’s internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

⁴ GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc. in 2021; one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group’s internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and employee remuneration at the group level, etc.

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 under construction with a proven track record, leading market position and strong brand equity. Its long-term growth strategy is aligned with national energy policies to actively promote carbon peaking and carbon neutrality, the clean and efficient utilisation of feedstock and the development of green and low-carbon industries. Multiple pollution sources can be eliminated with just one centralised GI plant within a circular economy industrial park that helps the park attain 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. B2B arrangements enable GI plants to require either pre-payment or post-payment after use. There is also a contractual price formation mechanism that links feedstock cost to steam price and 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**
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 as a result of the zoning policy. 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 into every aspect. In addition, it is a pioneer in the development of the circular economy and helping China to attain its Carbon Peak and Carbon Neutrality targets.
- Professional & disciplined management with strong execution and entrepreneurship**
The key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined and standardised management approach.
- Strong institutional investors that support the group**
Among them are the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies in China.



Financials

Several *force majeure* events affected business operations in 9M 2022. The geopolitical conflict which broke out in February set off a global energy crisis and caused energy prices to soar⁵. Meanwhile, the pandemic resurgence in China affected the normal operation of some GI projects.

Despite these headwinds, total steam sales volume in 9M 2022 still rose a strong 15.6% YoY to 6.79 million tons as the company typically has concessions to supply non-discretionary products to a diversified industrial customer base and operates in economically strong areas of China.

Meanwhile, GI recurring revenue in 3Q 2022 and 9M 2022 rose 46.2% YoY and 45.6% YoY respectively to RMB710.6 million and RMB2,069.7 million, faster than the growth in total steam sales volume, mainly due to the significant rise in industrial steam price based on the price adjustment mechanism.

Furthermore, the profitability of the GI projects improved on the back of the strong demand for industrial steam and the execution of the price adjustment mechanism. GI recurring EBITDA in 3Q 2022 rose 60.3% YoY to RMB180.6 million from a lower base in 3Q 2021. GI recurring EBITDA in 9M 2022 rose 19.0% YoY to RMB485.4 million.

GI recurring PATMI in 3Q 2022 grew 71.5% YoY to RMB51.8 million which pushed the GI recurring PATMI in 9M 2022 to RMB138.8 million, up 8.7% YoY from RMB127.7 million a year ago. Operating cash flow of GI projects in 9M 2022 was RMB136.7 million.

The solid 9M 2022 performance differentiated Sunpower as a company that can achieve positive growth amidst the challenging global environment despite a series of *force majeure* events and is expected to set a strong foundation for long-term performance. Having rapidly expanded the GI project portfolio to its current substantial size, the company has been strategically focusing on the further enhancement of the operations of each project to improve efficiency and incrementally add to the profitability of the Group as well as to drive a sustainable advancement in the quantity and quality of earnings and asset returns in the long term.

Group revenue from continuing operations rose 39.9% YoY to RMB2,387.9 million in 9M 2022 due to the continued ramp-up of the GI business and contributions from services for BOT projects, including EPC services, that are provided by the Group, recognised under IFRIC 12 Service Concession Arrangements. Profit for the period from continuing operations, net of tax, without financial effects of Convertible Bonds⁶, was RMB153.6 million in 9M 2022.

GI Project Updates

Sunpower supplies industrial steam to a diverse range of industries supported by structural demand. It also provides pollution-free civil heating to a large base of households, and electricity to the State Grid. Certain projects have added new products such as compressed air to complement steam sales and broaden its role as a vital supplier of key utilities.

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 that are promoted by the “14th Five-Year Plan for Circular Economy Development” of the National Development and Reform Commission (NDRC).

Updates on GI Projects:

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

⁶ “Profit for the period from continuing operations, net of tax” in the “WITHOUT financial effects of Convertible Bonds and Warrants” column of the P&L statement, which adjusts “Profit for the period from continuing operations, net of tax” in the “WITH financial effects of Convertible Bonds and Warrants” column for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

- **Changrun Project:** boiler #2 continues to ramp up to meet the growing demands of customers.
- **Yongxing Project:** its JV plant has passed a series of assessments and started construction to meet demand from customers in its coverage area.
- **Shantou Project Phase 2:** the first boiler continues to ramp up and its second boiler has started trial production, supplementing the capacity of Phase 1 to supply steam to 128 captive enterprise customers relocating into its coverage area.
- **Jining Project:** the construction of Phase 2 of its pipeline network has started. Once completed, it is expected to meet the incremental steam demand of newly-relocated customers and supplement the demand of existing customers.
- **Xintai Zhengda Project:** one of its key customers in the new material industry has been expanding capacity; heat pump technology has been applied to recycle waste heat, improving efficiency and reducing costs.
- **Tongshan Project:** currently supplying green power to the State Grid, and will start heat supply in late 2022.
- **Xinjiang Project:** expected to start trial operation in 2022.



- **Sizeable GI portfolio:**
 - 10 existing projects in operation
 - 1 new project under construction
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~376 km enhances de facto project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: 525**

Outlook

The recently concluded 20th National Party Congress stressed the importance of national energy policies that actively promote carbon peaking and carbon neutrality, such as the clean and efficient utilisation of feedstock and the development of green and low-carbon industries for the long-term development strategy for China. President Xi Jinping also called for an acceleration of China's new development growth model⁷ that expands domestic demand and ensures the resilience and security of important staple industries such as food, energy, and supply chains.⁸

Sunpower's strategy is fully aligned with these policies. These trends can be expected to benefit Sunpower's GI business which supports the staple industries that contribute to the nation's development plan by supplying important basic utilities to them.

The output of feedstock in China has steadily risen after various government agencies implemented comprehensive measures aimed at increasing supply, such as the acceleration of increased production

⁷ <http://jhsjk.people.cn/article/32546342?isindex=1>

⁸ <https://finance.ifeng.com/c/8K9xTZEDtsq>

capacity of local mines and full coverage of the feedstock needs of power generation and heating enterprises through medium and long-term supply contracts.⁸

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2022.⁹ Please note that Sunpower's 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 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.
- **Changrun Project:** boiler #2 is being used to supply steam to new customers and utilisation has been ramping up.
- **Xintai Zhengda Project:** utilisation is being ramped up to cater to the capacity expansion of a quality industrial customer; heat pump technology has been applied to recycle waste heat, improving efficiency and reducing costs.
- **Shantou Project Phase 2:** the first boiler continues to operate and its second boiler has started trial production, as it caters to the rising demand from the 128 captive enterprise customers relocating into its coverage area.

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

- Leverage the price formation mechanism that links feedstock costs to steam prices for more flexibility in raising steam prices.
- Continue to deploy the mitigation measures¹⁰ and differentiation strategies¹¹.
- Explore new business opportunities in the medium to long term.

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

- (1) Solidify its market position as an environmentally-clean centralised provider of steam through (a) the continuous ramp-up of its existing GI portfolio, supported by further expansion of the coverage areas and customer base of the projects but with less intense capital expenditure; (b) proceeding with the planned construction of the expansion phases of certain existing projects; and (c) focusing on the further enhancement of the operation and production of each project to improve efficiency and profitability of the Group.
- (2) Continuously cultivate the refined management and operation of the GI plants to drive sustainable long-term improvement in the quantity and quality of earnings and asset returns of existing projects.

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

“Despite the force majeure challenges of 9M 2022, Sunpower achieved strong growth in total steam sales volume, which highlights the strong demand for clean steam, a non-discretionary input product for our industrial users. Revenue grew even faster than steam volume as a result of the price formation mechanism that links feedstock price to steam price. Further, profitability improved year-over-year. We believe this proves the strength of the nature of our business.”

“Our YTD performance has distinguished Sunpower from other companies. We believe the continued growth in steam volume, revenue and profit demonstrates the reliability of our business model and the

⁸ <https://baijiahao.baidu.com/s?id=1714669029675280515&wfr=spider&for=pc>

⁹ 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

¹⁰ Refer to the 1Q 2022 earnings release dated 15 May 2022 for more information.

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

correctness of our comprehensive strategy that will enable us to navigate the temporary headwinds and challenges.”

“Our projects are still ramping up. In the long term, the Group’s strong position as a leading supplier of clean industrial steam is anticipated to place it well to benefit from the long-term growth potential of the centralised steam supply industry and circular economy industrial parks in China. The Group expects to be able to generate a high Net Present Value (NPV) of high-quality, recurring income and cashflows in the long term.”

-END-

Forward-looking Statement

This press release includes forward-looking statements and financial information provided with respect to the anticipated future performance and involves assumptions and uncertainties based on the Group’s view of future events. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the quotations from management in this press release and the Company's operations and business outlook, contain forward-looking statements. The actual results may vary from the anticipated results and such variations may be material. Accordingly, there can be no assurance that such projections and forward-looking statements can be realized. No representations or warranties are made as to the accuracy or reasonableness of such assumptions of the forward-looking statements and financial information based thereon. The Group undertakes no obligation to update forward-looking statements and financial information to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. The past performance of the Group is not necessarily indicative of the future performance of the Group.

About Sunpower Group Ltd.

Sunpower Group Ltd. (SGX: 5GD.SI) is a leading provider of industrial steam with a sizeable portfolio of 100%-recurring, long-term cash-generating Green Investments (“GI”) projects that use innovative integrated environmental-protection technology to facilitate the development of the circular economy and help China to attain its carbon peak and carbon neutrality goals. It was founded in China in 1997 and listed on the Singapore Exchange (SGX) in 2005.

In 2020, Sunpower disposed of its Manufacturing and Services (“M&S”) business for an attractive consideration that unlocked value and improved investment returns for investors. To reward shareholders and bondholders, a substantial Special Dividend of S\$0.2412 a share was declared and paid in 2021. Following the monetisation of M&S, the sole principal business of the Group is the “Green Investments” (“GI”) business where it has a sizeable portfolio of GI projects that generate 100% recurring, long-term, high-quality income and cashflow.

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

Sunpower actively undertakes the responsibility of promoting the sustainable development of the economy and society and has been recognised by various environmental and industry associations. To date, Sunpower has been included as a member of the China Association of Environmental Protection Industry (中国环境保护产业协会), Renewable Energy Generation Branch of China Electric Power Promotion Council(中国电力发展促进会可再生能源发电分会), Shandong Province Electric Power

Enterprise Association (山东省电力企业协会), Energy Association of Jiangsu Province (江苏省能源行业协会), and Jiangsu Association of Environmental Protection Industry (江苏省环境保护产业协会), and as a director member of Hebei Association of Environmental Protection Industry (河北省环境保护产业协会).

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

August Consulting (Singapore)	
Silvia Heng	Alan Lee
Email: silviaheng@august.com.sg	Email: alanlee@august.com.sg
Phone: +65 6733 8873	Phone: +65 6733 8873



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