

## Sunpower's GI recurring PATMI rises 34.5% YoY to RMB193.9 million in 1H 2024

### Key Highlights

- Total steam sales volume rose 14.4% YoY to 5.68 million tons in 1H 2024, driven by the continuing ramp-up of the GI projects.
- Profit growth rose faster despite mixed macroeconomic environment due to the Comprehensive Factors<sup>1</sup> and the Company's continuous improvement efforts:

*GI recurring revenue rose 3.3% YoY to RMB1,655.1 million*

*GI recurring EBITDA rose 24.8% YoY to RMB549.5 million*

*GI recurring PATMI rose 34.5% YoY to RMB193.9 million*

Singapore, 12 August 2024 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam and industrial services through a sizeable portfolio of centralised Green Investments (“GI”) projects that generate long-term and recurring income, announced its results for the six months ended 30 June 2024 (“1H 2024”).

### GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	2Q 2023	2Q 2024	YoY Chg	1H 2023	1H 2024	YoY Chg
Total steam sales volume (mil tons)	2.44	2.82	15.6%	4.97	5.68	14.4%
GI recurring revenue <sup>2</sup>	804.0	829.3	3.1%	1,602.4	1,655.1	3.3%
GI recurring EBITDA <sup>3</sup>	248.2	279.5	12.4%	440.1	549.5	24.8%
GI recurring PATMI <sup>4</sup>	90.2	105.0	16.4%	144.2	193.9	34.5%
GI recurring operating cashflow <sup>5</sup>	228.4	82.2	-64.0%	199.0	165.7	-16.7%

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI recurring operating cashflow” to reflect the operating results of the GI business. **This document should be read in conjunction with the Announcement of Condensed Interim Financial Statements for the Second Quarter and Six Months Ended 30 June 2024 released at the same time.**

<sup>1</sup> For the full description of the Comprehensive Factors, please refer to Page 3.

<sup>2</sup> 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* (if any).

<sup>3</sup> GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes one-time contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

<sup>4</sup> GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of employees at the group level, etc.

<sup>5</sup> GI recurring operating cashflow refers to cashflow generated by operating activities of the GI Business.

## Investment Highlights

- **Leading provider of industrial steam with development strategy aligned with national policies**
  - Sunpower's long-term development strategy is aligned with national energy and environment policies that facilitates China's Carbon Peak and Carbon Neutrality goals.
  - The Group enables energy conservation and emission reduction through application of the circular economy model and development of highly efficient centralised steam generation facilities.
  - "Multiple" pollution sources can be eliminated with just "one" centralised GI plant that helps industrial parks and their enterprises comply with emission standards. This will also help the park to attract new investments that in turn benefit steam demand.
- **GI business model proven to generate long-term high-quality recurring income**
  - GI projects have exclusive concession rights of ~30 years (with first right to renew) and extensive pipeline networks that enhance *de facto* exclusivity in their coverage areas.
  - Industrial steam business typically operates on a B2B model, with a contractual price adjustment mechanism linking feedstock costs to industrial steam prices that supports long-term profitability.
  - Structural growth drivers mainly include organic expansion of customers, relocation of new enterprises into industrial parks, and/or long-term structural development of industrial parks that either have strong economic viability or have industry clusters of excellence.
  - All these confer a strong market position to supply steam, a non-discretionary input product, to a large base of captive customers, bolstered by technologies that act as entry barriers against competition.
- **Strong financial performance with significant growth**
  - Despite the challenges of tough macro-economic conditions caused by various significant events in 2020-2022, total steam sales volume still rose by a CAGR of 20.4% while GI recurring revenue rose by a CAGR of 35.6% in FY2019 to FY2022.
  - By 2023, the proven business model had enabled a quick recovery with significant growth in total steam sales volume (↑20.6% YoY), GI recurring revenue (↑13.2% YoY) and GI recurring PATMI (↑114.9% YoY), and improvement in profit margins.
- **Well positioned to capture long-term growth potential**
  - Growing steam demand from customers' organic growth, and structural expansion of industrial parks.
  - A large addressable market in China and a robust pipeline of projects are expected to fuel further growth in the long term.
- **Practises ESG and sustainability values in every aspect**
  - Sunpower commits to better sustainability in its business by incorporating environmental, social and governance (ESG) values in every aspect.
  - It is a pioneer in the development of the circular economy model that promotes efficient resource utilisation and greater conservation and recycling of resources.
- **Professional & disciplined management with strong execution and entrepreneurship**
  - Key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined management approach.
  - Centralised management model integrates resources for better technological innovation, transformation and refined management, as well as good control of procurement cost and oversight of a sizeable project portfolio across China.
- **Strong institutional investors that support the Group**
  - CDH and DCP invested US\$130 million through convertible bonds issued to-date.
  - 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.

## 11 Projects in Commercial Operation



## Financials

The Group reported YoY improvement in its financial performance in 1H 2024, as the industrial parks served by its GI projects are either located in economically developed areas or have industry clusters of excellence.

Total steam sales volume rose 14.4% YoY<sup>6</sup> to 5.68 million tons mainly due to the continued ramp-up of the GI projects including Shantou Project.

GI recurring revenue rose 3.3% YoY to RMB1,655.1 million, with the growth attributed to higher steam sales volume and continuing execution of the price adjustment mechanism.

The profitability of the GI business expanded faster than the growth in steam sales volume and revenue in 1H 2024. GI recurring EBITDA rose 24.8% YoY to RMB549.5 million while GI recurring PATMI rose 34.5% YoY to RMB193.9 million.

Profitability improved due to a comprehensive set of factors, including economies of scale from increased steam sales volume; the price adjustment mechanism; optimised feedstock procurement; benefits from waste heat recovery; technological transformation boosting production capability and efficiency; and refined management practices, etc.

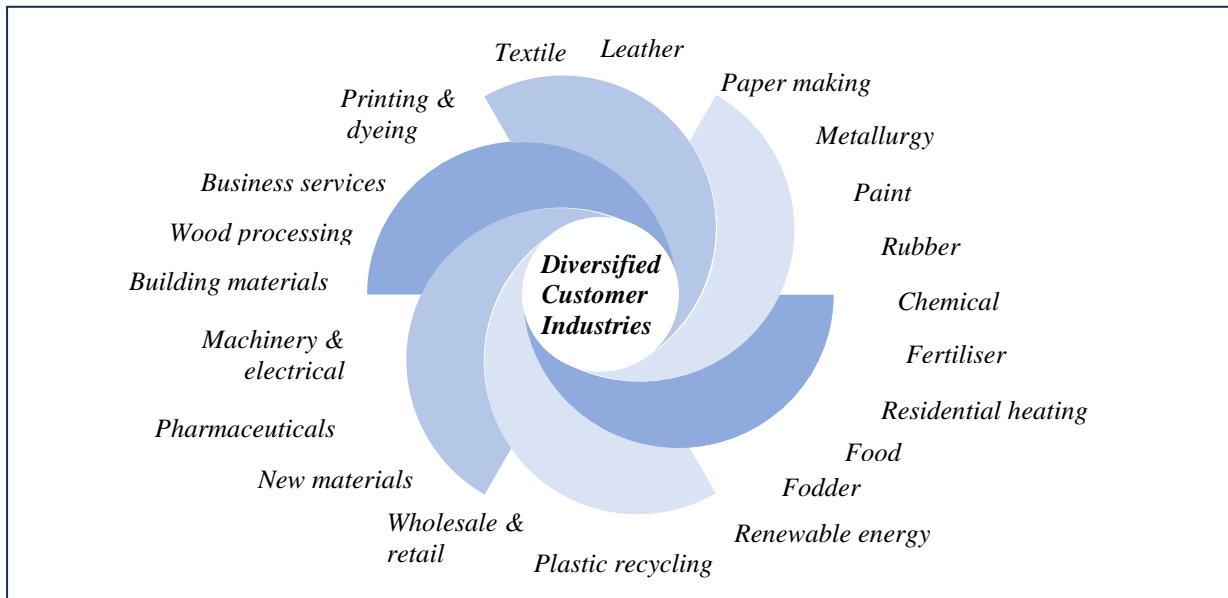
Furthermore, GI recurring operating cash inflow was RMB165.7 million in 1H 2024, reflecting the cash generation capability of the GI business.

## GI Business Updates

The Group is a leading company in the industry of centralised facilities that supply clean steam and industrial services and a pioneer in facilitating the development of circular economy industrial parks promoted by the “14th Five-Year Plan for Circular Economy Development” of the National Development and Reform Commission (NDRC).

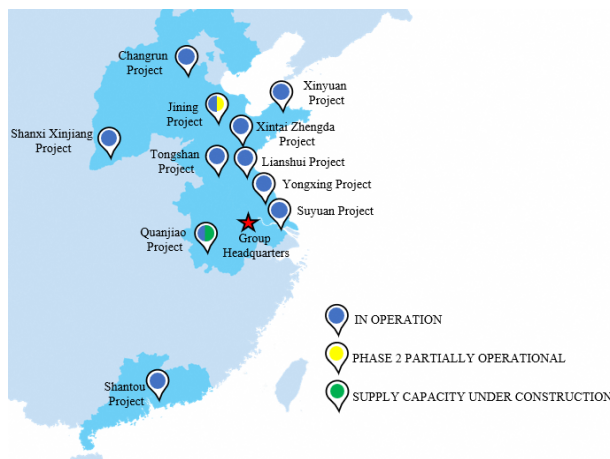
Industrial steam is a non-discretionary input product for the large and diversified captive customer base spanning more than 20 industries that provides resilient demand. Sunpower’s customer base is an integral part of the development of the local economy.

<sup>6</sup> YoY: Year over Year



Further, the GI projects are strategically located in industrial parks that have strong economic viability in economically developed areas or have industry clusters of excellence. They are also exclusive suppliers in their coverage areas due to exclusive operating concessions and *de facto* exclusivity enhanced by extensive networks of valuable steam distribution pipelines.

In addition to industrial steam, Sunpower also provides clean civil heating to a large base of households, and electricity to the State Grid. Certain projects have added new products such as compressed air to complement steam sales and broaden their role as an industrial service provider.



- **Sizeable GI portfolio:**
  - 11 projects in commercial operation
  - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~406 km enhances *de facto* project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: ~541\***

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

### Updates on GI Projects:

- **Xintai Zhengda Project:** Improvement in financial performance seen after technological reforms reduced operating costs and the capacity expansion of a key customer drove steam demand.
- **Quanjiao Project:** Construction of the Phase 2 biomass boiler is expected to be completed in 3Q 2024. Added new customers.
- **Suyuan Plant:** New enterprises which have moved into the park are expected to start production in 2H 2024.
- **Yongxing, Jining Projects:** Added new customers respectively.

## Outlook

In 1H 2024, retail demand for consumer goods grew and positive growth was seen in industries where the GI business has industrial steam customers, such as textiles<sup>7</sup>, clothing<sup>8</sup>, and certain basic living goods while industrial enterprises above the designated size grew their value-add.<sup>9</sup> Further, feedstock prices continued to decline in 1H 2024<sup>10</sup>. Additionally, during the recent Third Plenary Session of the 20<sup>th</sup> CPC Central Committee, the government stated that it will ramp up the green transition in all areas of economic and social development by pursuing green and low-carbon development, amongst other priorities.<sup>11</sup>

The Group is dedicated to enhancing the profitability of its GI projects and optimising its cash flows, leveraging on its robust business model and refined management practices.

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2024:

### **Continued ramp-up of the existing GI plants to solidify market position, namely:**

- Continued ramp-up of 11 existing projects in commercial operation, driven by organic growth and ramp-up of customers, continuous relocation of new factories into industrial parks, and long-term structural development of industrial parks.
- Yongxing Plant's general solid waste JV plant is in operation.
- Quanjiao Project's biomass boiler expected to come online in 3Q 2024.

### **Continued execution of holistic strategy to solidify the profitability of the GI business, namely:**

- Sustain execution of price adjustment mechanism and optimise feedstock procurement strategy.
- Enhance operating efficiency via technological transformation and refined management of GI plants.
- Leverage beneficial economies of scale in the GI business.
- Explore new business opportunities in medium to long term.

Pertaining to the GI business, for 2024, Sunpower intends to continue to execute the following two-pronged strategy with an emphasis on the quality of development that amplifies its strengths:

- (1) Solidify its market position as a centralised provider of clean steam and industrial services by (a) continuously ramping up its existing GI portfolio through further expansion of coverage areas and customer base but with less intense capital expenditure; and (b) ramping up the incremental capacity of certain projects, such as Yongxing Plant's solid waste JV plant, Phase 2 of Jining Project and Quanjiao Project.
- (2) Continuously strive to target improvement in the Group's efficiency and profitability by enhancing the operation and production of each project where possible. In addition, evaluate the pipeline for quality projects with potential.

Pertaining to the Convertible Bonds (the "CBs"), the maturity is in April 2025. The Group continues to proactively take measures to raise the necessary funding by maturity. Should the Group be unable to do so, it risks being unable to repay the CBs. The Group is currently in discussions with parties to explore various options for securing the necessary funds to repay the CBs by their maturity date.

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

"In 1H 2024, Sunpower built on the momentum from FY2023 and 1Q FY2024, with the GI business showing growth in topline and profitability. The 1H 2024 results highlight the ongoing strength of our

<sup>7</sup> [http://news.ctei.cn/bwzq/202407/t20240710\\_4351396.htm](http://news.ctei.cn/bwzq/202407/t20240710_4351396.htm)

<sup>8</sup> [http://news.ctei.cn/domestic/gnzs/202407/t20240715\\_4351577.htm](http://news.ctei.cn/domestic/gnzs/202407/t20240715_4351577.htm)

<sup>9</sup> [https://www.stats.gov.cn/english/PressRelease/202407/t20240715\\_1955620.html](https://www.stats.gov.cn/english/PressRelease/202407/t20240715_1955620.html)

<sup>10</sup> <https://www.reuters.com/markets/commodities/china-cuts-coals-share-electricity-output-h1-2024-maguire-2024-07-24/>

<sup>11</sup> <https://english.news.cn/20240721/342df6c6e05c4e1a9ce4f6e3b933007b/c.html>

GI business, and we remain focused on maximising their potential. This is expected to enhance shareholder value.”

“We aim to further improve the efficiency of our GI projects through technological innovation, optimised feedstock procurement strategies and refined management practices, which could enable us to sustain growth in the increasingly complex environment.

“The Company is constantly monitoring and working hard to navigate challenges and pressures from potential risks, such as the increasingly tumultuous geopolitics around the world, the mixed macroeconomic environment that could lead to compression of opportunities and potential expansion of risks, potential changes in the policies or actions of governments that may affect the execution of the GI business, as well as potential sources of operational pressures internally and externally.

“In addition, as disclosed, the outstanding CB issue is very important for the Company and it has been included in the key agenda of the Company all along. The Company is still focusing on strategising and exploring options to raise the required funds for redemption before the maturity date.”

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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 involves assumptions and uncertainties based on the Group’s view of future events. Among other things, the quotations from management in this press release and the Company’s operations and business outlook, contain forward-looking statements. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; continued availability of working capital financing in the amounts and terms necessary to support future business; capital availability and cost of capital for existing debt refinancing needs (e.g. CBs); competition from other companies and venues for the sales/distribution of similar services; seasonal and structural shifts in customer demand; changes in operating expenses, including raw material costs; and changes in governmental policies and planning that may affect the execution of the GI business. 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 and business model of the Group is not necessarily indicative of the future performance and business model of the Group.*

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### **About Sunpower Group Ltd.**

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

In 2020, Sunpower announced the disposal of its Manufacturing and Services (“M&S”) business for an attractive consideration that unlocked value and improved investment returns for investors. To reward shareholders and bondholders, a substantial Special Dividend of S\$0.2412 a share was declared and paid in 2021. Following the monetisation of M&S, the sole principal business of the Group is the Green

Investments (“GI”) business where it has a sizeable portfolio of GI projects that generate 100% recurring, long-term income.

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

Sunpower actively undertakes the responsibility of promoting the sustainable development of the economy and society and has been recognised by various environmental and industry associations. To date, Sunpower has been included as a member of the China Association of Environmental Protection Industry (中国环境保护产业协会), Renewable Energy Generation Branch of China Electric Power Promotion Council(中国电力发展促进会可再生能源发电分会), Shandong Province Electric Power Enterprise Association (山东省电力企业协会), Energy Association of Jiangsu Province (江苏省能源行业协会), and Jiangsu Association of Environmental Protection Industry (江苏省环境保护产业协会), and as a director member of Hebei Association of Environmental Protection Industry (河北省环境保护产业协会). In March 2023, Jiangsu Sunpower Clean Energy Co., Ltd was named as the “Advanced Unit for Green and Low-Carbon Development of the Thermoelectric Industry under the 14<sup>th</sup> Five-Year Plan” (十四五热电产业绿色低碳发展先进单位).

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

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