



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Sunpower Group Ltd.

Stock code: 5GD

Meeting details:

Date: 28 April 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the chairman’s statement, the company made a strategic move to dispose the manufacturing and services (“M&S”) business for a consideration of RMB2.29 billion, with a major portion of the net proceeds paid out to shareholders as special dividend.

For the financial year ended 31 December 2021, the group recorded revenue of more than RMB3.4 billion and achieved a profit after taxation and minority interest of RMB435.8 million (without financial effects of convertible bonds), an increase of 15.6% year-on-year.

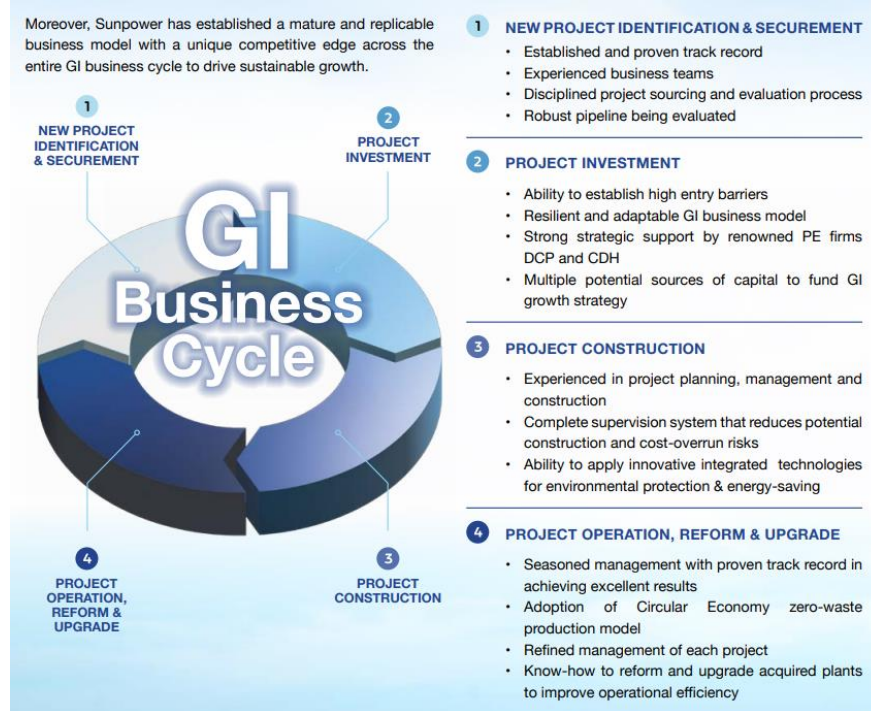
The underlying operating cash flow for the group was RMB244.3 million.

In the core Green Investment (“GI”) segment, demand for steam by industrial customers continued to be robust in FY2021 with total steam sales volume grew 45.2% year-on-year to a record high of 7.93 million tons. GI recurring revenue rose 53.3% YoY to RMB2,047.3 million in FY2021 although GI recurring EBITDA decreased by 4.6% to RMB466.2 million from RMB488.7 million.

- (i) **What was the reason that the GI recurring EBITDA slipped even as GI recurring revenue rose by more than 53%?** The company has stated that it faced cost pressures due to “an extraordinary and exceptional surge in feedstock price amidst the across-the-board uptrend in commodity prices in 2021” (page 8). **Please quantify the negative impact of higher feedstock prices on the group’s margin.**
- (ii) **For the benefit of shareholders, can management elaborate further on its strategy to deal with the volatility in the feedstock prices?**
- (iii) **How much of the cost increases in feedstock can be passed on to the customers under the price formation mechanism? What are the trends in feedstock prices in the first 4 months of 2022?**

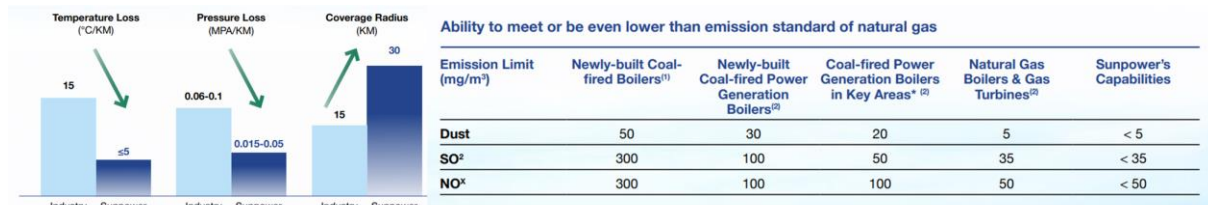
In addition, on page 6, the company shows the entire 4-stage GI business cycle from new project identification & securement, project investment, project construction to project operation, reform & upgrade (see diagram below).

(iv) **What is the typical gestation period for a new GI plant?**



(Source: company annual report)

Q2. On page 5 of the annual report, the company showcased its leadership in the sector due to various technological advantages (extract shown below).



(Adapted from annual report)

The company states that it achieved better operational performance due to the application of innovative technologies. The main advantages of the group's operations include:

- Lower temperature loss (<5 deg) compared to 15 deg/KM
- Lower pressure loss (0.015-0.05) compared to 0.05-0.1 MPA/KM
- Higher coverage radius of 30 km compared to 15km

- (i) **Can management help shareholders understand if the group's technological advantages are protected by intellectual properties (IPs)? If not, what are the plans to protect its IP by filing of patents and registration of IPs?**
- (ii) **Does management see competitors catching up in 2-3 years or in the mid-term? How strong is its technological moat?**
- (iii) **In FY2020 and FY2021, the group expensed research and development costs of RMB36.4 million and RMB15.0 million respectively. How does the group determine its R&D budget?**

Q3. Resolution 2 of the notice of meeting for the annual general meeting to be held on 28 April 2022 is to seek shareholders' approval for directors' fees of \$623,920 for the financial year ended 31 December 2021. This is a significant increase from the directors' fees of \$374,420 for FY2020 and \$250,020 for FY2019.

The company has explained that the increase in the proposed fees is due to the re-designation of Mr Guo Hong Xin from executive director to non-executive and non-independent director of the company, and additional work for the other independent directors following the disposal of the M&S business of the company.

- (i) **What was the effective date of the redesignation of Mr Guo Hong Xin from executive director to non-executive director?**
- (ii) **Has the company announced the cessation of the executive chairman as required by Listing Rule 704(7) and in accordance with Appendix 7.4.2 Announcement of cessation?**
- (iii) The company has made the following disclosure in the corporate governance report (page 34):

The level and mix of remuneration of each Director and key executive in FY2021 are as follows:

Remuneration Band & Name of Director	Base/ fixed salary	Variable or performance related income/ bonuses	Director's fees	Other benefits*	Total
<u>Executive Directors</u>					
Between S\$2,050,000 to S\$2,550,000					
Mr Ma Ming	54.3%	44.9%	–	0.8%	100%
<u>Non-Executive, Non-Independent Directors</u>					
Between S\$500,000 to S\$900,000					
Mr Guo Hongxin**	47.0%	24.1%	28.2%	0.7%	100%
<u>Independent Directors</u>					
Below S\$250,000					
Mr Lau Ping Sum Pearce	–	–	100%	–	100%
Mr Chin Sek Peng	–	–	100%	–	100%
Mr Yang Zheng	–	–	100%	–	100%
Mr Wang Daofu	–	–	100%	–	100%

(Source: company annual report)

- (iv) **For shareholders' benefit, what is the additional fee paid to each independent director for the additional work related to the disposal of the M&S business in 2021? How was that determined?**

- (v) **Given that shareholders are asked to vote at the AGM on the directors' fees, for shareholders' information, would the company be disclosing the exact amounts paid to each non-executive director as director's fee, including the amount paid to Mr Guo Hongxin as non-executive non-independent director?**
- (vi) **It would appear that Mr Guo Hongxin would receive between \$141,000 and \$253,800 for his role as non-executive director with less than 8 months in the role in FY2021. In comparison, the total directors' fees for all directors in 2017-2020 averaged \$285,152. Would the remuneration committee share with shareholders how the fees for the non-executive non-independent chairman were determined?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)