

# 2022 ANNUAL REPORT



**SUNRIGHT LIMITED**

(COMPANY REG. NO. 197800523M)

# **THE WORLD'S LARGEST** INDEPENDENT BURN-IN AND TEST SERVICE PROVIDER AND **A LEADING MANUFACTURER** OF RELIABILITY TEST SYSTEMS



**WE ENSURE THE RELIABILITY OF  
DEVICES MANUFACTURED BY OUR CUSTOMERS  
FOR A WIDE RANGE OF PRODUCTS**



<b>02</b>	Chairman's Statement
<b>04</b>	Business Review
<b>05</b>	Board of Directors
<b>08</b>	Corporate Information
<b>09</b>	Sustainability Report
<b>35</b>	Corporate Governance Report
<b>54</b>	Directors' Statement
<b>57</b>	Independent Auditor's Report
<b>61</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>62</b>	Statements of Financial Position
<b>63</b>	Statements of Changes in Equity
<b>65</b>	Consolidated Cash Flow Statement
<b>66</b>	Notes to the Financial Statements
<b>117</b>	Shareholders' Information
<b>119</b>	Notice of Annual General Meeting
<b>122</b>	Additional Information on Directors Seeking Re-election at the AGM
	Proxy Form



# CHAIRMAN'S STATEMENT



## DEAR FELLOW SHAREHOLDERS

2022 was a year of the great chip disruption. The imbalance between supply and demand in the semiconductor industry led to chip shortages and affected our key customers' products used in AI, high performance servers, 5G infrastructure network and cars. Although our operations and performance were affected too, we continued to make progress in other areas.

### FINANCIAL REVIEW

The Group's revenue declined by 10% to S\$100.7 million in FY2022, from S\$111.4 million a year ago. We suffered a net loss of S\$4.0 million, representing loss per share of 3.2 cents from earnings per share of 1.1 cents in FY2021. We held cash of S\$78 million as compared to S\$98 million last year, after spending S\$32 million on capital investments in FY2022.

Direct impacts on us included difficulties fulfilling orders received, due to severe component shortages and our backlog of orders grew significantly. We scaled down our electronic manufacturing services amid material shortages and rising prices whilst resizing our workforce for better deployment. We invested heavily on capital equipment in order to support increasing customers' demands for higher capacity and newer capability.

Our new high voltage test and burn-in system for gallium nitride "GaN" and silicon carbide "SiC" packages was completed in a timely manner. This new generation of devices provide longer battery life for electric vehicles, faster charging for mobile phones and faster data transmission.

The present supply shortages are expected to continue into first half of FY2023 and progressively improve in the second half of the year. Despite these challenges, the fundamental drivers for Sunright are still in place and growing. Our focus remains in the cloud computing, power transistors and automotive markets.

We are heading into the new fiscal year with optimism, focusing on the following three areas in expanding our range of products and services.

### EXPANDING SLT FOR MODULE TESTING & BURN-IN

We are confident of our continuing innovation efforts as we fortify our investments in system level test technology "SLT" where multiple chips or modules are required to be fully tested as they would be used in their final application. The SLT system which was delivered to our customer last year to test devices for cars has been qualified for production. We expect continuing deployment of our system for their manufacturing. We are also focusing on strengthening our capabilities and building our technical resources to meet the expanding market opportunities ahead.



DRIVING  
OPERATIONAL  
EXCELLENCE  
AND QUALITY  
MISSIONS TO  
MAINTAIN OUR  
LEADERSHIP  
POSITION IN  
THE MARKET



**FOCUSING ON  
STRENGTHENING  
OUR CAPABILITIES  
AND BUILDING OUR  
TECHNICAL RESOURCES**



**PROVIDING TEST AND  
BURN-IN SOLUTIONS**



**STEPPING UP OUR  
STRATEGIC INVESTMENTS  
IN IMPROVING AND  
GROWING OUR SERVICE  
INFRASTRUCTURE**



#### **EXPANDING PACKAGE TESTING & BURN-IN**

Our focus on innovation has propelled us to collaborate very closely with customers to provide high voltage test and burn-in solution to screen the reliability of GaN packages used in electric vehicles which are growing in production volumes. Power semiconductors are finding new applications for mobility, energy, telecommunication and industrial equipment. New chips must perform reliably and test and burn-in is necessary.

#### **EXPANDING OUR CORE SERVICES**

The test and burn-in market is active and growing. We are stepping up our strategic investments in improving and growing our service infrastructure. We will continue to drive operational excellence and quality missions to maintain our leadership position in the market.

#### **OUR "ESG" INITIATIVES**

FY2022 was a transformational year as we enhanced our sustainability reporting by adopting the new Global Reporting Initiative Standards 2021. We carried out feasibility study of solar solution as an alternative for renewable clean power. Teams were formed to develop practices and to give priority in addressing climate-related risks.

#### **DIVIDEND**

In light of the Group's performance, the Board of Directors is not recommending that a dividend be paid for FY2022. The Board is taking a cautionary step as conservation of cash is necessary to continue with our strategic plans in moving forward.

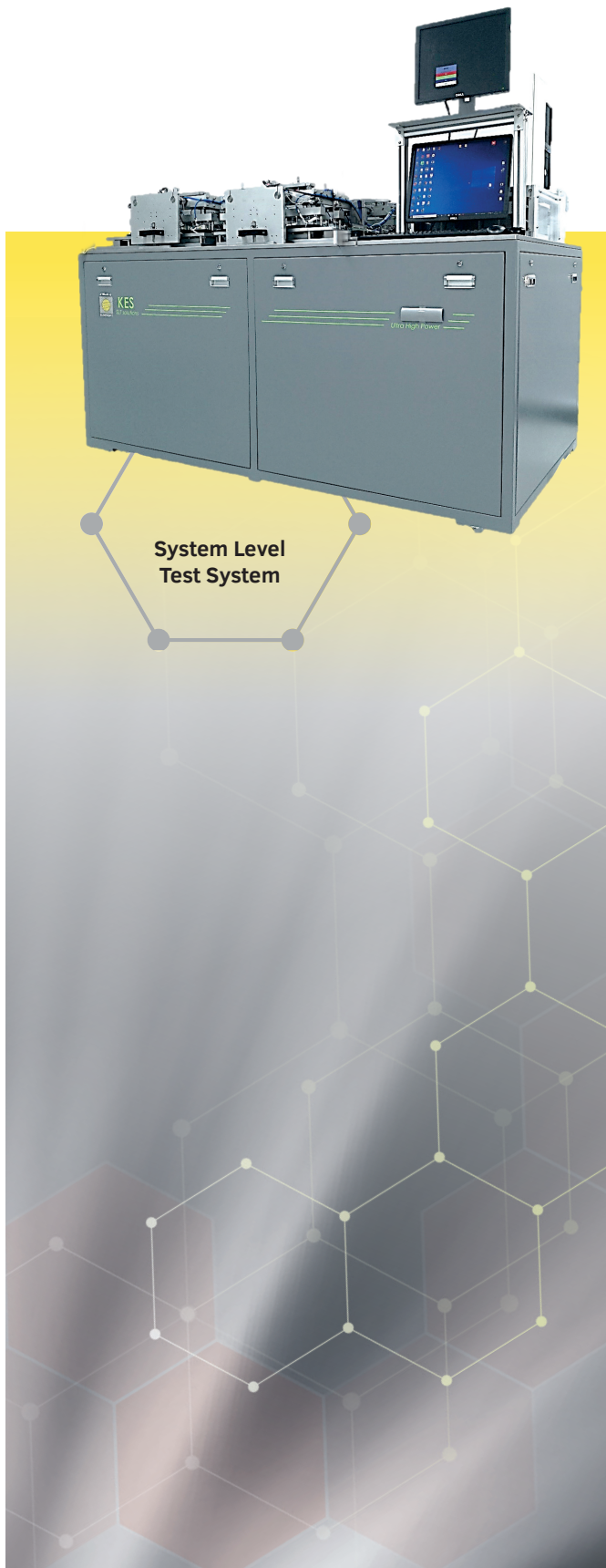
#### **APPRECIATION**

I would like to thank our management and staff for their hard work and commitment, our suppliers and bankers for their support. We look forward to your unwavering support as we move into the new year.

#### **SAMUEL LIM SYN SOO**

Executive Chairman & Chief Executive Officer  
27 September 2022

# BUSINESS REVIEW



Facing the long delivery of certain components and as the COVID-19 becomes endemic in much of the world, Sunright concentrated on innovating its core businesses with emergent technologies and stands poised to lead the industry this decade.

We continue to push the leading edge in innovation by adding to our already diverse range of patents. System Level Test or “SLT” has the ability to test the entire device in a module, simulating how it ultimately will be used. Our new SLT system designed for car application has unmatched test parallelism and power dissipation increasing efficiency, reducing test time and cost of ownership.

Power semiconductors have historically used silicon wafers, but they have a more difficult time achieving higher voltages. For this reason, gallium nitride “GaN” is increasingly being used instead of silicon. Our new Burn-In and Test System improves reliability of GaN, Silicon Carbide “SiC” and insulated-gate bipolar transistor “IGBT” packages which are used for electric vehicles.

Sunright is vertically integrated, with electrical, mechanical, software, and hardware design, all under one group. Sunright works with leading semiconductor manufacturers in the world to provide solutions for test and burn-in of packages and modules ensuring the reliability of their products.

# BOARD OF DIRECTORS



**SAMUEL LIM SYN SOO**

Chairman and  
Chief Executive Officer  
Age: 68

**First appointment as a Director:** 9 March 1978  
**Appointment as Chairman:** 19 February 1990  
**Appointment as Chief Executive Officer:** 13 January 1994  
**Last re-appointment as a Director:** 22 November 2021

#### **Board Committee Membership**

- Nominating Committee

#### **Interest in Shares in the Company**

67,466,666 shares (54.94%)

#### **Academic & Professional Qualification(s)**

- Diploma in Industrial Engineering (Canada)

#### **Background and Working Experience**

Mr Lim is an engineer, entrepreneur and innovator.

He began his career as an Industrial Engineer in 1972 at Fairchild Semiconductor in Singapore. He held various senior positions including engineering, manufacturing and marketing, working for U.S. multinational companies based in Asia and USA.

Mr Lim is Founder, Executive Chairman and Chief Executive Officer of the Company and KESM Industries Berhad in Malaysia. He led the Company to become the world's largest independent test and burn-in service company and a leading solution provider.

#### **Present Principal Commitments including Directorships**

##### ***Directorships in Other Listed Companies***

- KESM Industries Berhad

##### ***Directorships in Non-Listed Companies***

- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines Inc.
- KES Systems & Service (Shanghai) Co., Ltd
- KEST Systems & Service Ltd
- KES International Sdn. Bhd.
- Kestronics Philippines, Inc.
- KES Systems, Inc.
- KESM Test (M) Sdn. Bhd.
- KESP Sdn. Bhd.

##### ***Major Appointments (other than Directorships)***

- Nil

#### **Past Principal Commitments including Directorships (held over the preceding five years)**

- Kestronics (S) Pte Ltd
- Kestronics (M) Sdn. Bhd.

#### **Relationship between Directors, Key Executives or Substantial Shareholder**

Nil



**KENNETH TAN TEOH KHOON**

Executive Director  
Age: 65

**First appointment as a Director:** 12 January 1994  
**Appointment as Executive Director:** 13 January 1994  
**Last re-appointment as a Director:** 21 November 2019

#### **Board Committee Membership**

- Nominating Committee

#### **Interest in Shares in the Company**

2,130,000 (1.73%)

#### **Academic & Professional Qualification(s)**

- Bachelor of Accountancy, National University of Singapore
- Fellow Member of the Institute of Singapore Chartered Accountants

#### **Background and Working Experience**

Mr Tan is responsible for the strategic direction and new business initiatives of some of the Sunright Group companies, contract negotiations, investor relations and oversees the financial management of the Group.

Prior to joining the Company in 1987, he worked in an international accounting firm, a major property group in Singapore and subsequently in a diversified multinational group in the manufacturing and packaging industries.

#### **Present Principal Commitments including Directorships**

##### ***Directorships in Other Listed Companies***

- KESM Industries Berhad

##### ***Directorships in Non-Listed Companies***

- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines Inc.
- KEST Systems & Service Ltd
- KES International Sdn. Bhd.
- Kestronics Philippines, Inc.
- KES Systems, Inc.
- KESM Test (M) Sdn. Bhd.
- KESP Sdn. Bhd.
- KESM Industries (Tianjin) Co., Ltd

##### ***Major Appointments (other than Directorships)***

- Nil

#### **Past Principal Commitments including Directorships (held over the preceding five years)**

- Kestronics (S) Pte Ltd
- Kestronics (M) Sdn. Bhd.
- KES Systems & Service (Shanghai) Co., Ltd

#### **Relationship between Directors, Key Executives or Substantial Shareholder**

Nil



# BOARD OF DIRECTORS



**DANIEL SOH CHUNG HIAN**  
Lead Independent Director  
Age: 68

**First appointment as a Director:** 3 December 2018  
**Appointment as a Lead Independent Director:** 1 February 2021  
**Last re-appointment as a Director:** 21 November 2019

#### **Board Committee Membership**

- Audit and Risk Committee (Chairman)
- Nominating Committee (Chairman)
- Remuneration Committee

#### **Interest in Shares in the Company**

Nil

#### **Academic & Professional Qualification(s)**

- Bachelor of Accountancy, then University of Singapore
- Master of Business Administration, The International Management Centres of the United Kingdom
- Fellow Member of the Institute of Singapore Chartered Accountants

#### **Background and Working Experience**

Mr Soh began his career in 1977 with Ernst & Young LLP, Singapore, and was a partner from 1990 till his retirement in December 2012. His 35 years of experience saw him auditing many public listed companies and working on many IPOs of listed companies.

#### **Present Principal Commitments including Directorships Directorships in Other Listed Companies**

- British and Malayan Holdings Limited
- Vicom Ltd

#### **Directorships in Non-Listed Companies**

- Nil

#### **Major Appointments (other than Directorships)**

- Nil

#### **Past Principal Commitments including Directorships (held over the preceding five years)**

- JDJ Investment Pte Ltd
- Lum Chang Holdings Limited
- British and Malayan Trustees Limited
- Agency for Integrated Care Pte Ltd

#### **Relationship between Directors, Key Executives or Substantial Shareholder**

Nil



**TIMOTHY BROOKS SMITH**  
Independent  
Non-Executive Director  
Age: 80

**First appointment as a Director:** 18 January 1994  
**Last re-appointment as a Director:** 23 November 2020

#### **Board Committee Membership**

- Audit and Risk Committee
- Nominating Committee
- Remuneration Committee (Chairman)

#### **Interest in Shares in the Company**

Nil

#### **Academic & Professional Qualification(s)**

- Bachelor of Science (Electrical & Electronics)
- Master of Science (Electrical Engineering), Southern Methodist University, USA

#### **Background and Working Experience**

Mr Smith has over 40 years of experience in the semiconductor industry. He had spent over 21 years at Texas Instruments ("TI") and was credited for the invention of TI's Low Power Schottky Product Line and BiFET OP AMP. His last held position in TI was as a Senior Vice President of the Semiconductor Group, with worldwide profit and loss responsibility for its Memory, MOS Logic and DSP businesses. Reporting to Mr Smith were TI plants in Singapore, Taiwan, the Philippines and Houston. He managed TI's semiconductor wafer fabrication units in Dallas, Lubbock and Houston; was chairman of its wafer fabrication council; managed the annual capital expenditure budget for multiple wafer fabrication, assembly and test operations and the annual research and development budget for process technology and product development for the businesses under his management. Mr Smith was the Semiconductor Group representative to the corporate capital subcommittee of the Board of Directors and Chairman of the Wafer Fabrication Council, responsible for the capital roadmap for 27 wafer fabrication units, worldwide. He was also responsible for the included income statement, balance sheet and cash flow of TI's worldwide Memory, MOS Logic and DSP businesses.

#### **Present Principal Commitments including Directorships Directorships in Other Listed Companies**

- Nil

#### **Directorships in Non-Listed Companies**

- Avazzia, Inc

#### **Major Appointments (other than Directorships)**

- Nil

#### **Past Principal Commitments including Directorships (held over the preceding five years)**

- Nil

#### **Relationship between Directors, Key Executives or Substantial Shareholder**

Nil





**SANDY FOO FEI YING**

Independent  
Non-Executive Director  
Age: 49

**First appointment as a Director:** 1 February 2021

**Last re-appointment as a Director:** 22 November 2021

**Board Committee Membership**

- Audit and Risk Committee
- Nominating Committee
- Remuneration Committee

**Interest in Shares in the Company**

Nil

**Academic & Professional Qualification(s)**

- LLB (Hons), National University of Singapore

**Background and Working Experience**

Ms Foo has more than two decades of experience in legal practice, both in Singapore and in London. She is a Partner of and serves on the Executive Committee of Rajah & Tann LLP (“R&T”). She specialises in Mergers & Acquisitions as a member of R&T’s Capital Markets, Mergers & Acquisitions practice and is also a member of their Sustainability practice.

In addition, she has co-authored various publications, including the Singapore Chapter of the Mergers & Acquisitions (*Global Legal Institute*) 5<sup>th</sup> and 6<sup>th</sup> Editions; Singapore Chapter of the Corporate M&A 2020 Global Practice Guide (*Chambers & Partners*); and the Singapore Chapter of the Private Equity 2020 Global Practice Guide (*Chambers & Partners*).

**Present Principal Commitments including Directorships**

***Directorships in Other Listed Companies***

- Nil

***Directorships in Non-Listed Companies***

- Nil

***Major Appointments (other than Directorships)***

- Partner, Rajah & Tann LLP
- Member of the Law Society’s Continuing Professional Development Committee
- Speaker for Singapore Institute of Directors’ Listed Entity Director Programmes
- Council Member of the Institute of Valuers and Appraisers, Singapore

**Past Principal Commitments including Directorships (held over the preceding five years)**

- Nil

**Relationship between Directors, Key Executives or Substantial Shareholder**

Nil

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Samuel Lim Syn Soo  
*(Executive Chairman & CEO)*

Mr Kenneth Tan Teoh Khoon  
*(Executive Director)*

Mr Daniel Soh Chung Hian  
*(Lead Independent Director)*

Mr Timothy Brooks Smith  
*(Non-Executive, Independent Director)*

Ms Sandy Foo Fei Ying  
*(Non-Executive, Independent Director)*

## AUDIT AND RISK COMMITTEE

Mr Daniel Soh Chung Hian  
*(Chairman)*

Mr Timothy Brooks Smith

Ms Sandy Foo Fei Ying

## NOMINATING COMMITTEE

Mr Daniel Soh Chung Hian  
*(Chairman)*

Mr Timothy Brooks Smith

Ms Sandy Foo Fei Ying

Mr Samuel Lim Syn Soo

Mr Kenneth Tan Teoh Khoon

## REMUNERATION COMMITTEE

Mr Timothy Brooks Smith  
*(Chairman)*

Mr Daniel Soh Chung Hian

Ms Sandy Foo Fei Ying

## COMPANY SECRETARY

Ms Adeline Lim Kim Swan

## SHARE REGISTRAR

Boardroom Corporate &  
Advisory Services Pte. Ltd.  
1 Harbourfront Avenue  
#14-07 Keppel Bay Tower  
Singapore 098632  
Tel : (65) 6536 5355  
Fax: (65) 6536 1360

## REGISTERED OFFICE

Blk 1093 Lower Delta Road  
#02-01/08  
Singapore 169204  
Tel : (65) 6272 5842  
Fax: (65) 6276 8426

## PLACE OF INCORPORATION

Singapore

## COMPANY REGISTRATION NO.

197800523M

## DATE OF INCORPORATION

9 March 1978

## WEBSITE

[www.sunright.com](http://www.sunright.com)

## STOCK EXCHANGE LISTING

Listed on 20 October 1994  
on SGX Mainboard

## STOCK NAME

Sunright

## STOCK CODE

S71

## AUDITORS

Ernst & Young LLP  
One Raffles Quay  
North Tower Level 18  
Singapore 048583

## AUDIT PARTNER

Ms Tee Huey Yenn  
(Date of appointment:  
with effect from financial year  
ended 31 July 2020)

## BOARD STATEMENT

2022 was a year of greatest chip disruption. Whilst our performance suffered, Sunright remains dedicated to our sustainability commitments.

The Board is responsible for determining and overseeing key sustainability matters. Through close interactions with the management and stakeholder groups, the key sustainability matters are reviewed annually to ensure their relevance and alignment with Sunright's strategic direction and priorities.

Following the Board's mandate, the management team is responsible for implementing sustainability policies and practices to advance our sustainability efforts and positively impact the business and stakeholders.

## ABOUT SUNRIGHT LIMITED

[GRI 2-1, 2-6]

Founded in 1978, Sunright is the world's largest independent 'burn-in and test' service company and a leading manufacturer of parallel test equipment. For several decades, Sunright has served many of the world's leading semiconductor manufacturers and electronics manufacturers, capable of handling a broad range of semiconductor chips including microcontrollers, microprocessors and memories. In addition, Sunright offers selective electronic manufacturing services ("EMS") of electronic components. By collaborating with leading original equipment manufacturers ("OEM"), Sunright provides the synergy for OEMs to accelerate time-to-market for their new products.

Listed on SGX since 1994, Sunright is headquartered in Singapore, with manufacturing facilities in Singapore, Malaysia, Taiwan, China and USA, and is well-supported by sales and service support centres in Singapore, Malaysia, Philippines, Taiwan, China and USA.

## ABOUT THE REPORT

[GRI 2-2, 2-3, 2-4, 2-5]

This is Sunright's fifth annual Sustainability Report, for the period of 1 August 2021 to 31 July 2022 ("FY2022"). Where applicable, historical performance data is also included for comparative purposes.

This report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards 2021. The GRI Standards have been considered most suitable for Sunright's sustainability reporting as the standards are recognised internationally and are the most widely adopted global standards for sustainability reporting.

The scope of this report covers significant operating units, including Singapore<sup>1</sup>, Malaysia<sup>2</sup> and China<sup>3</sup>. These entities provide burn-in and testing services, EMS, and manufacturing of burn-in equipment for semiconductors.

External assurance has not been sought for this report. Sunright may consider seeking external assurance for its sustainability report as our sustainability reporting process matures over time. We welcome feedback that would help improve our sustainability efforts. Please direct any feedback to [sustainability@sunright.com](mailto:sustainability@sunright.com).

## OUR SUSTAINABILITY COMMITMENT AND GOVERNANCE

[GRI 2-9, 2-12, 2-13, 2-14, 2-16, 2-17, 2-18, 2-22]

Sunright has a long-standing commitment to sustainability that guides our business. Sustainability is integrated across all levels of the organisation in the way we conduct our business to respond to the evolving risks and opportunities in the semiconductor and electronics manufacturing industry.

Our established sustainability governance structure helps facilitate the management and oversight of this agenda. The Board and Executive Directors of Sunright are responsible for the review and approval of Sunright's directives for sustainability programmes and to ensure that sustainability is integrated into the strategic direction of the Group and its operations. To achieve this, the Board continuously ensures that there is an effective governance framework for sustainability within the Group.

<sup>1</sup> Sunright Limited and KES Systems & Service (1993) Pte Ltd

<sup>2</sup> KESM Industries Berhad, KESP Sdn. Bhd. and KESM Test (M) Sdn. Bhd.

<sup>3</sup> KESM Industries (Tianjin) Co., Ltd



# SUSTAINABILITY REPORT

A sustainability committee is set up to drive and implement the sustainability policies and practices, champion sustainability KPIs, monitor its sustainability-related performance and eventually provide periodic updates to the Board for review and approval.

To ensure effective integration of sustainability across the Group, the Board is committed to review and assess material information, enhance their knowledge and ability to provide quality and professional reviews, and to ensure that sustainability risks and opportunities are incorporated into Sunright’s strategic directions. Likewise, senior management is guided by sustainability KPIs benchmarked against industry practices, considering economic, environmental, social, and governance-related risks and opportunities, where applicable.



Sunright recognises that it is of utmost importance for board members to have sufficient understanding and knowledge of sustainability issues to effectively discharge the above duties and carry out their role of sustainability governance. Directors attend sustainability related trainings to equip themselves with basic knowledge on sustainability and sustainability matters such as corporate sustainability, climate risks and human rights. These ongoing trainings not only help widen their sustainability knowledge but also keep abreast with the latest regulatory development and any sustainability emerging topics.

## STAKEHOLDER ENGAGEMENT





[GRI 2-29]

Our key stakeholders are identified as those having significant impact on as well as those significantly impacted by our operations. At Sunright, we are committed to addressing the needs and concerns of all our stakeholders. Through day-to-day interactions and regular engagement sessions via various platforms, we gain better understanding of their concerns and expectations to inform our sustainability practices and facilitate continuous improvement.

Table 1: Sunright’s Approach towards Stakeholder Engagement

	Key areas of concern	Stakeholder management	Engagement platforms*	Frequency of management
<b>SHAREHOLDERS</b>				
	<ul style="list-style-type: none"> <li>Sunright’s financial health and industry reputation</li> <li>Sustainability performance</li> </ul>	<ul style="list-style-type: none"> <li>Provide regular and timely updates about Sunright’s performance to enable key shareholders to make informed investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Press releases</li> <li>Announcements</li> <li>Annual report</li> <li>Annual general meeting</li> <li>Analyst/investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>Periodic</li> <li>Half yearly</li> <li>Annual</li> <li>Annual</li> <li>As necessary</li> </ul>
<b>CUSTOMERS</b>				
	<ul style="list-style-type: none"> <li>Service and product quality</li> <li>Timely delivery</li> </ul>	<ul style="list-style-type: none"> <li>Maintain international certifications and standards to ensure the quality, safety and efficiency of products, services and systems (e.g. ISO 9001:2015 certification, ISO 14001:2015 certification, IATF 16949:2016 certification)</li> </ul>	<ul style="list-style-type: none"> <li>Industry forums</li> <li>Customer satisfaction surveys and scorecards</li> <li>Customer visits to our plants</li> </ul>	<ul style="list-style-type: none"> <li>Frequent</li> <li>Periodic</li> <li>As necessary</li> </ul>

# SUSTAINABILITY REPORT

	Key areas of concern	Stakeholder management	Engagement platforms*	Frequency of management
<b>EMPLOYEES AND OUTSOURCED WORKERS</b>				
	<ul style="list-style-type: none"> <li>Fair employment and well-being</li> <li>Occupational health and safety</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Implement non-discriminatory Human Resources (“HR”) policies</li> <li>Provide deserving remuneration, welfare and benefits</li> <li>Provide relevant trainings (safety and job specific)</li> </ul>	<ul style="list-style-type: none"> <li>Electronic updates and newsletters</li> <li>Annual performance appraisals</li> <li>Company events and staff bonding sessions</li> <li>Trainings</li> </ul>	<ul style="list-style-type: none"> <li>Periodic</li> <li>Annual</li> <li>Periodic</li> <li>Periodic</li> </ul>
<b>CONTRACTORS AND SUPPLIERS</b>				
	<ul style="list-style-type: none"> <li>Business opportunities</li> <li>Feedback on performance</li> </ul>	<ul style="list-style-type: none"> <li>Conduct fair suppliers’ screening process</li> <li>Conduct regular supplier’s evaluation process</li> </ul>	<ul style="list-style-type: none"> <li>Project tenders</li> <li>Supplier evaluation meetings</li> </ul>	<ul style="list-style-type: none"> <li>As necessary</li> <li>Periodic</li> </ul>
<b>REGULATORS</b>				
	<ul style="list-style-type: none"> <li>Compliance to regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Keeping abreast with the latest regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Statutory reporting</li> <li>On-site inspections</li> </ul>	<ul style="list-style-type: none"> <li>Periodic</li> <li>As necessary</li> </ul>
<b>LOCAL COMMUNITY</b>				
	<ul style="list-style-type: none"> <li>Corporate Social Responsibility (“CSR”) initiatives</li> <li>Employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Participate in CSR activities</li> <li>Provide employment opportunities through our business</li> </ul>	<ul style="list-style-type: none"> <li>CSR programmes</li> <li>Teaming with local technical institutions for job training and internship opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Periodic</li> <li>Annual</li> </ul>

\* With the gradual easing of the safe distancing measures, we have started to conduct more in-person stakeholder engagement activities, including on-site audits, physical visits, and business meetings. We will continue our efforts to improve our stakeholder engagement, while always being mindful of the need to ensure community safety and regulatory measures.

## MATERIALITY ASSESSMENT

[GRI 3-1, 3-2]

In FY2022, Sunright carried out a re-assessment of its material matters since its inaugural materiality assessment in FY2018. In light of the rapidly changing sustainability climate and the global upheavals of the past two years, the Board saw it as appropriate to re-examine the topics that guide Sunright’s sustainability management approach. Through a combination of research on relevant sustainability matters, as well as the results of a stakeholder survey, Sunright has ascertained that its initial list of material matters is still relevant and of utmost priority in its sustainable development.

# SUSTAINABILITY REPORT

Figure 1: Sunright's Materiality Assessment Process

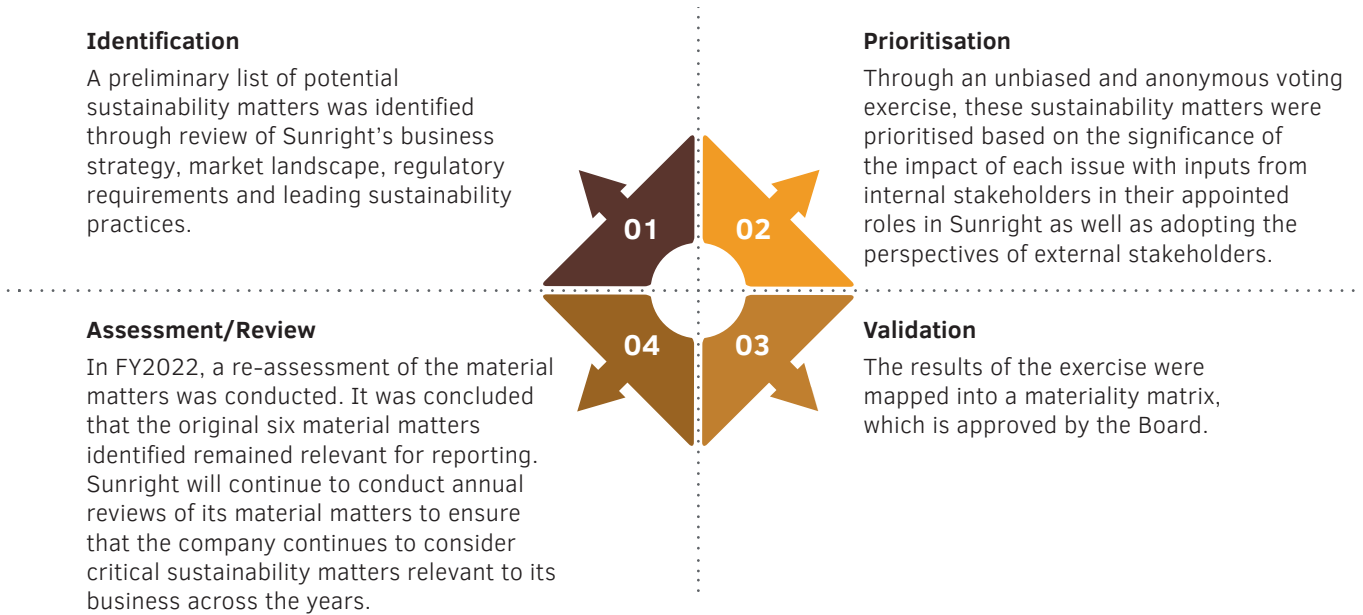
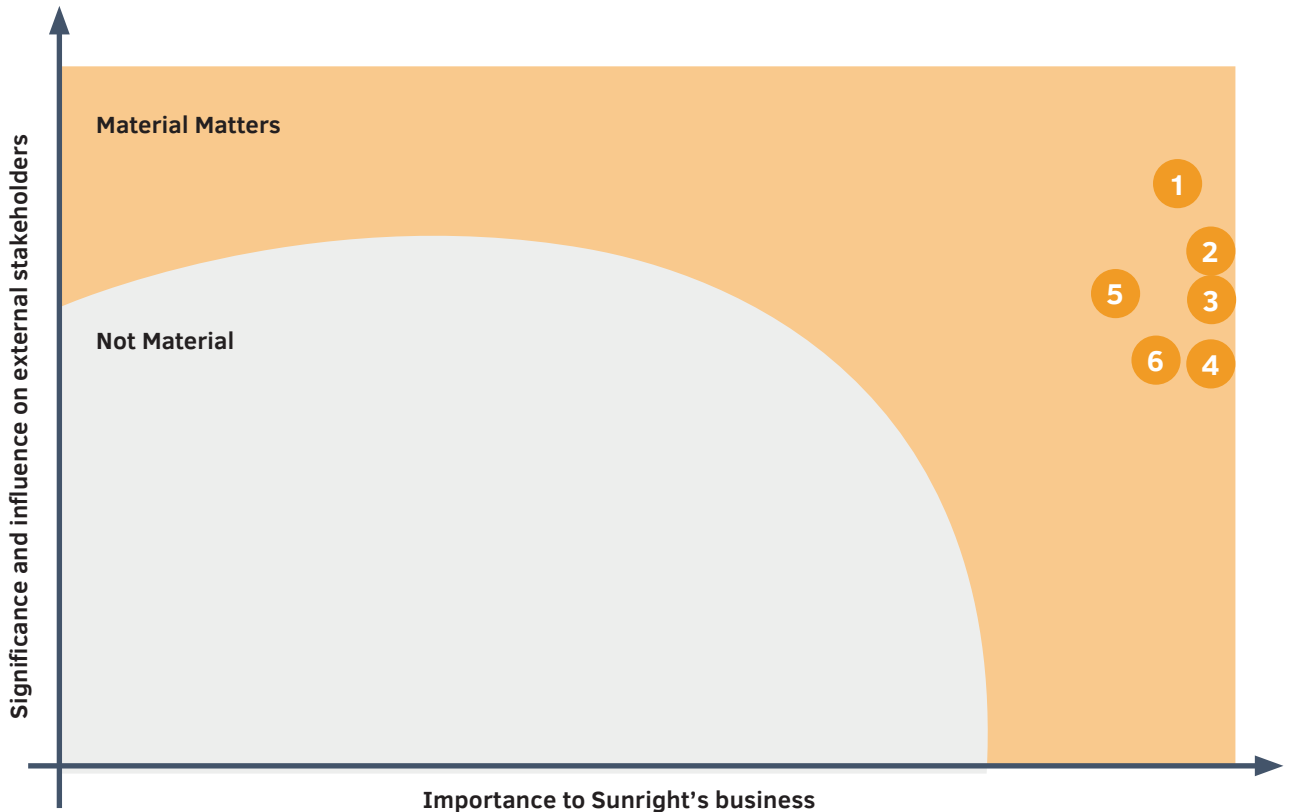


Figure 2: Sunright's Sustainability Matters and Corresponding GRI Topics





	Material Matters	Description	Corresponding GRI
1	Occupational health and safety	Protecting the physical and mental well-being of all employees and workers	GRI 403: Occupational Health and Safety
2	Regulatory compliance	Compliance with all regulatory requirements, including environmental, labour, health and safety regulations	GRI 2-27: Compliance with Laws and Regulations
3	Corporate governance and business ethics	Adherence to responsible business practices in terms of anti-corruption and corporate governance	GRI 205: Anti-Corruption
4	Economic performance	Sustaining economic growth through responsible supply chain management and contribution of economic value	GRI 201: Economic Performance GRI 204: Procurement Practices
5	Energy and carbon footprint	Efficient use of energy to minimise carbon footprint from our operations	GRI 302: Energy GRI 305: Emissions
6	Fair employment practices	Equal opportunities and treatment for all employees and workers	GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination

## FOSTERING A SAFETY CULTURE

[GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10]

Sunright has in place a Health and Safety Policy which outlines our objectives and approach towards ensuring the health and well-being of our staff in the workplace. This policy includes the procedures, guidelines and best practices that our staff must adhere to in order to mitigate health and safety risks in the workplace. Our Occupational Health and Safety Management System (“OHSMS”), which our subsidiaries are also required to comply with, was developed with reference to local safety regulations and covers all workers in our operating locations.

### Hazard Identification and Risk Assessment

Identifying and minimising hazards is a key component of our Health and Safety approach. Hazard identification is carried out through monthly safety walks, and any hazards identified along with any proposed mitigation measures, are then evaluated during the monthly safety meeting. Our safety policies and guidelines contain a list of identified hazards, as well as steps and procedures for our employees which, when adhered to, minimise the risks posed to our staff. Some of the hazards identified include:

- Cuts from handling sharp blade edges
- Slip, trip or fall
- Fire risks
- Vehicles
- Slippery floors

Other identified risks which have been determined to be low include exposure to chemicals from airborne tin resulting from soldering activities as well as manual handling activities. Nevertheless, Sunright has also implemented monitoring systems in its facilities to ensure that any chemical exposure is kept to a minimum.

Our safety personnel are regularly trained and updated with the latest safety practices to ensure that risks are properly identified and controlled. Workers are briefed by the Head Supervisor before every work shift, to stress the importance of adhering to safety protocols. This contributes to the overall effectiveness of the OHSMS, which is essential in safeguarding the health of our workers.

# SUSTAINABILITY REPORT

Figure 3 elaborates on the systematic process established to identify and eliminate hazards, towards continued improvement of the OHSMS.

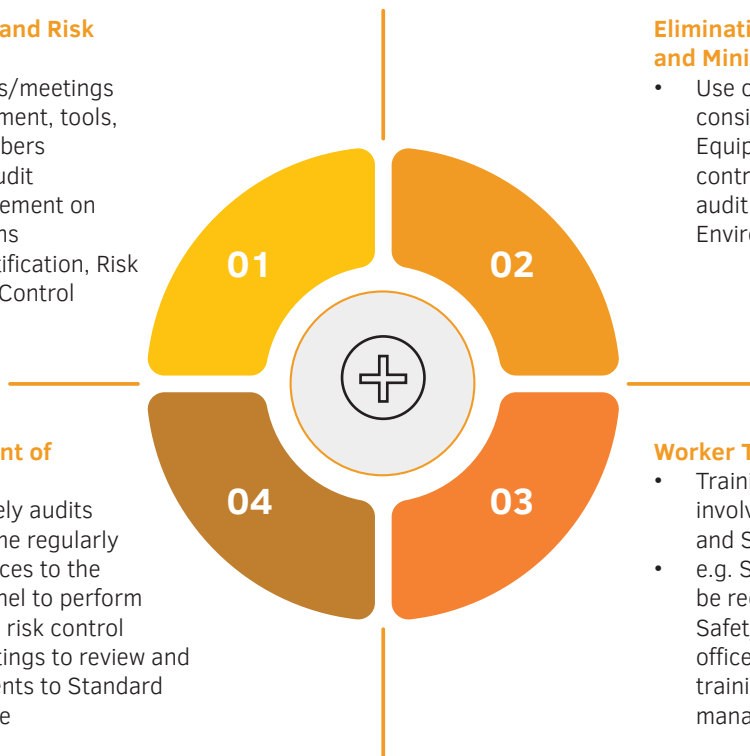
Figure 3: Process of Hazard Identification, Risk Assessment and Improvement of OHSMS

### Hazard Identification and Risk Assessment

- Regular safety walks/meetings
- Inspection of equipment, tools, materials, and members
- Plant-wide safety audit
- Feedback to management on effectiveness of plans
- Use of Hazard Identification, Risk Assessment & Risk Control (“HIRARC”)

### Continual Improvement of OHSMS

- Methodical and timely audits
- Review of programme regularly
- Allocation of resources to the appropriate personnel to perform remedial action and risk control
- Regular safety meetings to review and propose improvements to Standard Operating Procedure



### Elimination of Hazards and Minimisation of Risk

- Use of Hierarchy of Controls consisting of Personal Protective Equipment (“PPE”), source control, safety system, and an audit by the Safety, Health and Environment committee

### Worker Training

- Training of personnel involved in Occupational Health and Safety (“OHS”) activities
- e.g. Safety Officer to be registered with Department of Safety and Health (“DOSH”), OHS officer to undergo mandatory training and assessments in OHS management and legislation

### Incident Investigation

As part of our approach to Health and Safety, Sunright has implemented a systematic process that enables quick identification and remediation of hazardous situations that occur. Any worker who discovers a work hazard or believes that they have been placed in an unsafe working environment, is required to immediately voice their concerns to their supervisor.

All supervisors are then expected to assess the situation and rectify potential safety issues before allowing their workers to resume work. After addressing the hazard, the Safety, Health and Environment (“SHE”) committee will launch an investigation and generate a report of the incident. Follow-up actions will be taken by the relevant stakeholders.

Sunright’s Code of Conduct protects any workers who report hazards from receiving backlash in any form. This encourages constant mindfulness around safety and safeguards the collective health and safety of our workers.

### Occupational Health Services and Promotion of Worker Health

Our operations involve providing burn-in and test services for semiconductors, and we have identified several related potential occupational health hazards present in our operating sites. In addition to the physical health check-up that every new employee must undergo, we provide specific occupational health services for each employee role and the hazards they are exposed to. We provide annual medical check-ups for employees handling chemicals, as well as annual audiometric check-ups for employees working at high noise areas.

First aid treatment is provided for the affected personnel for any minor injuries that occur, and transportation to the nearest hospital is immediately arranged for more severe injuries. As part of Sunright’s Occupational Health Services system, we engage only certified service providers who are required to comply with all international and national OHS standards and regulations. Bearing in mind that we operate in multiple jurisdictions, we have made the OHS readily available in several languages. We also engage our staff through surveys and rating systems that help us to evaluate the effectiveness of our service, which allows us to constantly improve the quality of our service.

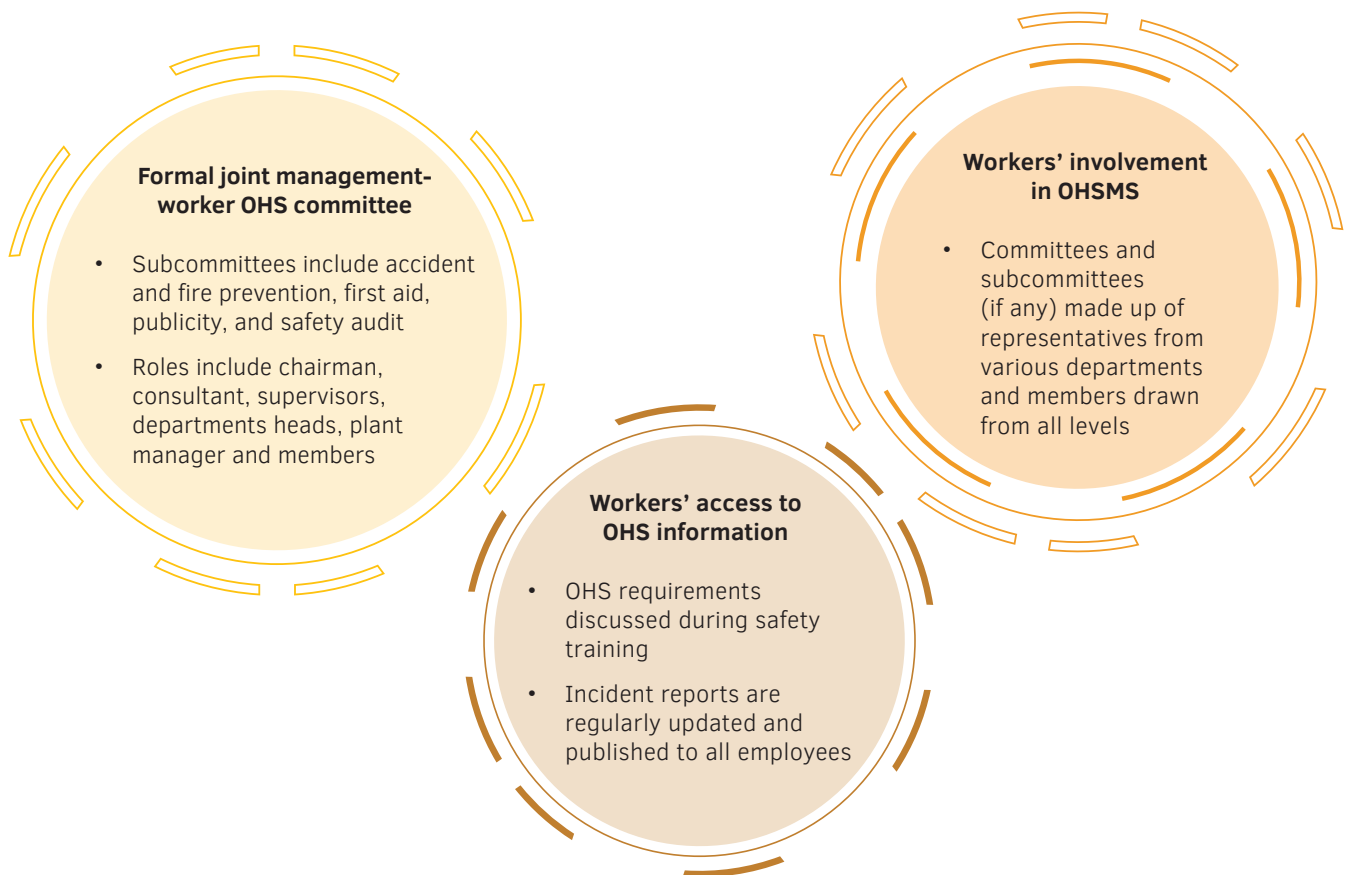
For the continued well-being of our staff, we provide services such as annual health screenings and consultations at company-approved clinics. In addition, we collaborate with external providers to organise voluntary blood tests and indoor/outdoor activities for our workers to participate in during working hours. We collect feedback from our staff at the end of each activity so that we can gauge its success and find ways to improve our programmes for the following year.

## **Worker Participation and Training**

The effectiveness of our OHS policies and programmes are enhanced by the active involvement of our staff. Our employees are provided with OHS training such as training for management staff, first aid and CPR training for designated workers, as well as safety training for all operations staff annually. For workers exposed to specific hazards (e.g. chemicals), they are given the appropriate hazard-specific training.

A formal joint management-worker SHE committee has also been established to engage our workers in OHS consultation and communication process. The committee is involved in the development and regular review of the safety and health programmes, as well as in promoting safety awareness throughout the organisation.

Figure 4: Worker Participation, Consultation and Communication on OHS



Since the initial COVID-19 pandemic outbreak in early 2020, Sunright has taken proactive steps, guided by government-mandated advisories, to protect the health and well-being of our stakeholders and employees, implementing relevant measures to ensure a safe workplace for all.

In FY2022, Sunright recorded zero fatalities for both employees and workers. There was one recordable injury attributed to an operator who had her finger trapped between machinery plates. There was another case of a high-consequence injury for a worker who suffered a finger injury while operating the grinder machine. To minimise future occurrences of such incidents, Sunright has implemented more controls alongside trainings and briefing communications on procedures and precautions when operating machines.



# SUSTAINABILITY REPORT

Table 2: Breakdown of work-related injuries for all employees and workers

EMPLOYEES	FY2021		FY2022	
Number of man-hours worked	2,113,234		2,107,183	
Number and rate of fatalities as a result of work-related injuries	-	-	-	-
Number and rate of high-consequence work-related injuries	-	-	-	-
Number and rate of recordable work-related injuries	1	0.47	1	0.47
Main types of work-related injuries	• Cuts and lacerations		• Cuts and lacerations	
<b>WORKERS</b>				
Number of man-hours worked	3,307,577		3,210,714	
Number and rate of fatalities as a result of work-related injuries	-	-	-	-
Number and rate of high-consequence work-related injuries	-	-	1	0.31
Number and rate of recordable work-related injuries	-	-	-	-
Main types of work-related injuries	Not applicable		• Cuts and lacerations	

Table 3: Breakdown of work-related ill-health for all employees and workers

EMPLOYEES	FY2021	FY2022
Number of fatalities as a result of work-related ill-health	-	-
Number of recordable work-related ill-health	-	-
Main types of work-related ill-health	Not applicable	Not applicable
<b>WORKERS</b>		
Number of fatalities as a result of work-related ill-health	-	-
Number of recordable work-related ill-health	-	-
Main types of work-related ill-health	Not applicable	Not applicable

Focus Area	Perpetual Target	FY2022 Performance
Occupational Health and Safety	0 work-related fatalities and injuries	<ul style="list-style-type: none"> <li>• One minor injury</li> <li>• One high-consequence injury</li> </ul>

## ENSURING STRICT COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

[GRI 2-27]

Compliance with all relevant laws and regulations is of utmost priority to Sunright. This includes the myriad environmental and socioeconomic law and regulations of all the countries in which we operate. Compliance is crucial to the long-term success of Sunright's business as it reflects the integrity of our operations, and also builds stakeholder and investor trust.

Reflecting our commitment to compliance, our policies are continually updated to reflect any changes in regulatory requirements. Additionally, our employees are expected to adhere to the standards of behaviour outlined in our Code of Conduct.

As the COVID-19 situation evolved and the associated government guidelines and advisories changed in tandem, Sunright maintained compliance with all applicable government advisories on COVID-19 in the countries in which we operate.

Additionally, in FY2022, a major global development was the Russia-Ukraine conflict, which saw many countries imposing sanctions on Russia. This included Singapore, which implemented a ban on transfers of all items in the "Electronics", "Computers", and "Telecommunications and Information Security" categories of the Dual-Use Goods List of the Strategic Goods (Control) Order 2021. As neither Sunright nor any of its subsidiaries conduct business dealings with any Russian entities, we remain in full compliance of these measures.

Focus Area	Perpetual Target	FY2022 Performance
Regulatory Compliance	0 confirmed cases <sup>4</sup> of non-compliance with environmental laws and regulations	Achieved
	0 confirmed cases of non-compliance with socioeconomic laws and regulations	Achieved

## BUILDING AN ETHICAL CULTURE

[GRI 2-23, 2-24, 205-1, 205-2, 205-3]

Sunright understands that the long-term success and growth is directly tied to the integrity and the ethical foundations of its business practices. We strive to cultivate ethical business practices through the entirety of our operations and our value chain. Sunright implements a zero-tolerance policy with regards to fraud, bribery, and corruption.

Our Code of Conduct (the "Code") contains the business policies that govern our approach to ethics, outlined within it are our values, principles, and expectations. The Code takes reference from the Responsible Business Alliance ("RBA") Code of Conduct, and has been approved by the Board. It also undergoes regular review by the Management to ensure that the policies within remain accurate and relevant to our ethical principles. Further information on our governance approach with regard to the ethics, values, and the desired organisational culture of the company can be found in our Corporate Governance report.

The above expectations and any related policies are communicated to our employees through emails, letters, and annual training sessions. Additionally, in our Singapore operations, employees are required to undergo training on Sunright's principles, values, and policies as part of the orientation process.

In FY2022, 271 (29%) employees have received training on anti-corruption policies and all employees received communication on anti-corruption policies upon joining the company. Moving forward, Sunright will strive to extend anti-corruption training to more employees and is committed to thoroughly embedding responsible and ethical behaviour throughout our company.

Similarly, Sunright ensures that its business partners are adequately informed of Sunright's business practices, including our longstanding policy against kickbacks, gifts, and entertainment of favour in return for business deals. Our suppliers are also made aware of Sunright's Supplier Code of Conduct, which necessitates their compliance with our policies regarding forced labour, child labour, and the upholding of human rights. More information on the Supplier Code of Conduct can be found on page 21.

<sup>4</sup> Confirmed cases refer to reported cases that have material impact to the operations of Sunright.

# SUSTAINABILITY REPORT





## Responsible Business Alliance (“RBA”) Code of Conduct

Sunright has voluntarily adopted the RBA, a globally-recognised set of social, environmental and ethical industry standards. The RBA ensures that working conditions are safe, workers are treated with respect and dignity, and business operations are environmentally responsible and conducted ethically. Sunright will maintain its commitment in following the policies and regulations set out by the RBA.

As the Code is designed to be a total supply chain initiative, at a minimum, Sunright shall require its next tier suppliers to implement the Code.

Our management monitors and reviews the Code on a regular basis to ensure its continued applicability and effectiveness.

Table 4: Sunright's Policies relating to Business Ethics and Anti-Corruption

Name of Policy	Policy Description
<p><b>Whistleblower Policy</b></p> 	<p>Sunright's Whistleblower Policy applies to all directors and employees as well as third parties such as suppliers, contractors, sub-contractors and agents. The policy, alongside internal controls, operating procedures and governance policies intended to detect and prevent or deter improper conduct, is intended to encourage employees to report any potential improprieties (e.g. wrongdoing or misconduct), as well protect their identity.</p> <p>The specific objectives of the policy are as follows:</p> <ul style="list-style-type: none"> <li>i. To encourage employees to confidently raise genuine concerns about possible improprieties</li> <li>ii. Provide ways for employees to raise concerns and receive feedback on any actions taken as a result</li> <li>iii. Reassure employees that if they raise any concerns in good faith and reasonably believe them to be true, they will be protected from possible reprisals or victimisation</li> </ul>
<p><b>Grievance Handling Policy</b></p> 	<p>The Grievance Handling Policy and the accompanying grievance mechanism procedure were formulated to strengthen industrial efficiency and stability in performance. They ensure that grievances are handled at the lowest corporate level possible. Grievances can include any violations or threats on fair and human treatment such as prohibition of sexual harassment, abuse (mental, physical or verbal), coercion, corporal punishment etc.</p>
<p><b>Business Ethics Policy</b></p> 	<p>Sunright's Business Ethics Policy ensures our integrity and reliability as an organisation. To minimise any possible conflicts of interest or coercive elements from external sources, our employees are prohibited from associating with illegal cartel activities, illicit price-fixing, deception and undesirable social behaviour, as well as from dealing with customers or vendors that offer rebates, commissions, and other forms of illegal remuneration.</p> <p>Employees are required to fully disclose any circumstances likely to give rise to conflicts of interest, and disallowed from giving or accepting any gifts, which might improperly influence the normal business relationship with any supplier or customer. All company business dealings are based on 'fair deal' basis. All employees shall impress upon business partners on the high business ethics, and refrain from providing or accepting bribes and kickbacks.</p>
<p><b>Purchasing Policy</b></p> 	<p>The Purchasing Policy sets clear guidelines on maintaining ethical relations with vendors and suppliers while acting with integrity throughout all procedures related to the purchasing activities of the company.</p>

# SUSTAINABILITY REPORT

Table 5: Number of employees and business partners who received communication and training on anti-corruption policies by employee category and region

FY2022		Employees Categories			Business Partners
		Direct Labour	Exempt/ Non-Exempt	Manager	Customers, Suppliers, Agents etc
<b>Total number</b>		<b>255</b>	<b>589</b>	<b>79</b>	<b>265</b>
Singapore	Communicated to	28	52	22	147
	Received training	1	7	2	0
Malaysia	Communicated to	207	408	44	34
	Received training	26	65	8	0
China	Communicated to	20	129	13	84
	Received training	20	129	13	0

FY2021 <sup>5</sup>		Employees Categories			Business Partners
		Direct Labour	Exempt/ Non-Exempt	Manager	Customers, Suppliers, Agents etc
<b>Total number</b>		<b>198</b>	<b>647</b>	<b>71</b>	<b>223</b>
Singapore	Communicated to	33	49	21	147
	Received training	33	43	13	0
Malaysia	Communicated to	145	471	38	0
	Received training	57	107	9	0
China	Communicated to	20	127	12	76
	Received training	20	127	12	0

All directors representing the governance body of Sunright have previously received communications on the organisation's anti-corruption policies, and further ad-hoc trainings for the Board will be carried out as deemed necessary.

Our operations across Singapore, Malaysia and China have been assessed for risks related to corruption. During the reporting year, there were no cases of corruption brought against Sunright or its employees, a record we have consistently maintained to date and will continue to uphold.

Focus Area	Perpetual Target	FY2022 Performance
Ethical Business Conduct	0 confirmed cases of corruption within Sunright	Achieved

<sup>5</sup> FY2021 numbers have been restated to reflect improvements in data collection.



# SUSTAINABILITY REPORT

## SUSTAINING ECONOMIC PERFORMANCE

### Contributing Direct Economic Value

[GRI 201-1]

In FY2022, Sunright generated approximately \$100.7 million in total revenue, a decrease of \$10.7 million or 9.6%, from \$111.4 million in the previous financial year. The net economic value distribution of \$17 million was due to higher purchases of property, plant and equipment so as to support customers' demand for increased capacity.

The global economic slowdown caused by the COVID-19 pandemic continues to affect our business operations since 2021, and the supply chain disruptions created from various lockdowns and market uncertainties have affected manufacturing operations and that of our partners who support our business. Despite the gradual recovery, the International Monetary Fund ("IMF")'s World Economic Outlook foresees bleak developments due to geopolitical conflicts and higher than expected inflation globally<sup>6</sup>.

In view of this, we maintain a cautious outlook on business recovery and continue to adapt to any challenges that arise by implementing relevant business continuity plans. Sunright looks towards improving our business resilience and recovery and maintain a strong market position.

Table 6: Economic Value Generated, Distributed and Retained from FY2019 to FY2022<sup>7</sup>

	FY2019	FY2020	FY2021	FY2022
<b>Economic Value Generated (S\$' million)</b>				
Revenue	133.6	110.6	111.4	100.7
Other income from financial investments	3.6	2.9	1.9	1.9
Sales of assets	1.0	3.2	2.5	0.8
<b>Economic Value Distributed (S\$' million)</b>				
Operating costs <sup>8</sup>	(70.2)	(53.5)	(66.3)	(76.7)
Employee wages and benefits	(47.6)	(42.3)	(41.5)	(41.3)
Payments to providers of capital	(2.6)	(1.5)	(1.4)	(1.2)
Payments to governments	(1.3)	(1.5)	(2.4)	(1.1)
<b>Economic Value Retained (S\$' million)</b>				
	16.5	17.9	4.2	(16.9)

For further details on our economic performance and business review, please refer to the following sections in our Annual Report: Financial Statements and Chairman's Statement.

### Managing Supply Chains Responsibly

[GRI 2-6, 204-1]

Due to the nature of our operations, Sunright regularly handles purchases with 3TG metals, which can sometimes be from controversial sources. Our engagement with suppliers that practise responsible management of sourcing greatly reduces our exposure to a supply chain with potential sustainability risks such as exposure to human rights and environmental issues, including forced labour, child labour, corruption, and pollution. Through minimising the risks of such issues arising within its value chain, Sunright protects itself from possible litigation and remediation costs. Additionally, a robust and ethical supply chain ensures Sunright's ability to provide products and services with the high-quality standards that we promise to our consumers.

<sup>6</sup> IMF World Economic Outlook Update, July 2022

<sup>7</sup> FY2019 to FY2022 figures include all companies within the Sunright Group.

<sup>8</sup> Operating costs includes cash payments made outside the organisation for material cost, purchase of property, plant and equipment and other expenses.

Governing the screening, selection and management of our suppliers are Sunright's Purchasing Policy and Procedures. As part of these guidelines, our robust Three-Step Supply Chain Management Process further outlines the steps we take for sourcing and selection of new items, delivery follow-up, receiving, inspection of goods and payments to vendors.

Figure 5: Purchasing Policy and Procedures



Purchasing Policy	
 <p><b>Vendor Qualification Procedure</b></p>	 <p><b>Purchasing Procedure</b></p>
<p>Recognising that our suppliers exert significant influence on our supply chain, Sunright adheres to stringent criteria in selecting environmentally and economically accountable suppliers as laid out in our Vendor Qualification Procedure. This comprehensive procedure is an integral component of Sunright's Three-Step Supply Chain Management Process (see below).</p>	<p>Sunright's Purchasing Procedure acts as an overall check-and-balance on all purchasing activities associated with our supply chain. The provisions of this policy encompass guidelines, procedures and the scope of all purchases.</p>

Figure 6: Sunright's Supply Chain Management Process

<p><b>1 Internal Requisition ("IR")</b></p> <p>The first step of our Supply Chain Management Process is the IR process, which is facilitated by an online system maintaining a clear audit trail of all requisition cases. Once the IR is raised, an approval process is triggered before vendor sourcing commences and a Purchase Order is raised.</p>
<p><b>2 Supplier Selection/Vendor Qualification Procedure</b></p> <p>Sunright adheres to stringent supplier selection criteria to manage our supply chain impacts on the economy, society and environment.</p> <p>The suppliers need to acknowledge and accept Sunright's Supplier Code of Conduct before engagement. The following aspects are covered in the Code:</p> <ul style="list-style-type: none"> <li>i. Compliance with all applicable laws and regulations</li> <li>ii. Prevention of, and intolerance for, corruption and all forms of bribery</li> <li>iii. Prohibition of child labour</li> <li>iv. Safeguarding the health and safety of employees</li> <li>v. Upholding of human rights</li> </ul> <p>Our suppliers are also expected to eliminate the use of conflict mineral to achieve 100% conflict-free mineral sourcing. They are also responsible for performing due diligence on their supply chain, and required by contract to inform Sunright of any parts ordered that involve conflict minerals as appropriate to ensure compliance.</p> <p>All suppliers are required to conform with the ISO 9001:2015 standard for quality management systems, or higher quality management systems.</p>
<p><b>3 Supplier Evaluation</b></p> <p>Our suppliers are regularly assessed to allow Sunright to improve or maintain our quality of services and drive customer satisfaction. Where a supplier's performance is unsatisfactory, feedback is provided to help them identify any scope for improvement. Should the supplier continue to be negligent in improving their performance, we may take stern actions, including the suspension of contracts.</p>

# SUSTAINABILITY REPORT

One of the primary ways for Sunright to improve risk management and operating efficiency is the local sourcing of products and services. Consequently, local sourcing has become a cornerstone of Sunright’s sustainability strategy; an approach which also supports local businesses and jobs while meeting our environmental and social objectives by minimising our carbon footprint.

As part of our efforts to support local suppliers and contractors, Sunright has consistently ensured that at least 50% of its purchases are sourced locally. In FY2022, 70% of our procurement spend was used to purchase supplies locally in Singapore, Malaysia and China where we operate.

Focus Area	Perpetual Target	FY2022 Performance
Responsible Supply Chain Management	At least 50% of all purchases are sourced locally <sup>9</sup>	Achieved

## DEVELOP AN ENGAGED WORKFORCE & FAIR WORKPLACE

### Sunright’s Board Profile

[GRI 405-1]

Sunright understands that diversity within an organisation is a strength, as employees of different backgrounds are able to bring new perspectives and viewpoints to a company. We also recognise that diversity has to be implemented at all levels, including at the highest level of governance: the Board as well as Senior Management.

Figure 7: Sunright’s Board Composition in FY2022

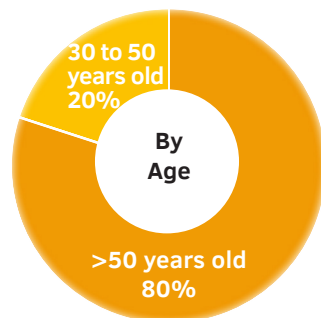
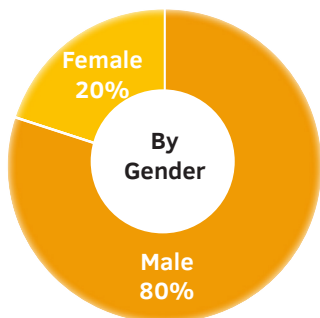
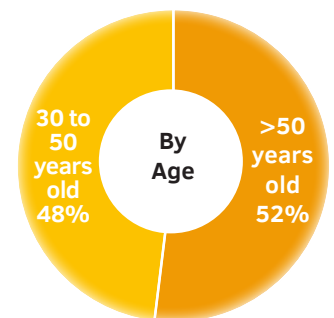
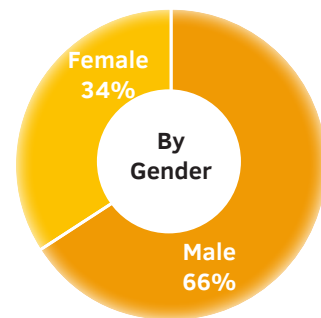


Figure 8: Sunright’s Senior Management Composition in FY2022



For more information on board diversity and composition, please refer to our Corporate Governance report.

### Sunright’s Employee and Worker Profile

[GRI 2-7, 2-8, 401-1, 405-1]

In FY2022, Sunright’s workforce consisted of 923 employees and 1,186 workers across Singapore, Malaysia and China. Our workers include mostly outsourced operators directly involved in production activities and suppliers.

Despite the difficult challenges that COVID-19 has presented, Sunright remains committed to developing our staff to their fullest potential. We employ more than 98% of our staff under a permanent contract, mostly on a full-time basis. Having a diverse and inclusive workforce remains significant to Sunright’s long-term prosperity, and we practise a meritocratic hiring policy, ensuring a well-balanced ratio of male and female staff.

The following charts show our employee demographics by gender and region, as well as our worker demographics by employment category supporting Sunright’s business activities.

<sup>9</sup> Local purchases refer to purchases made (except for production machineries) from locally registered companies, which supply trade and non-trade goods and services.

# SUSTAINABILITY REPORT

Figure 9: Sunright's Employee Demographics by Gender and Region

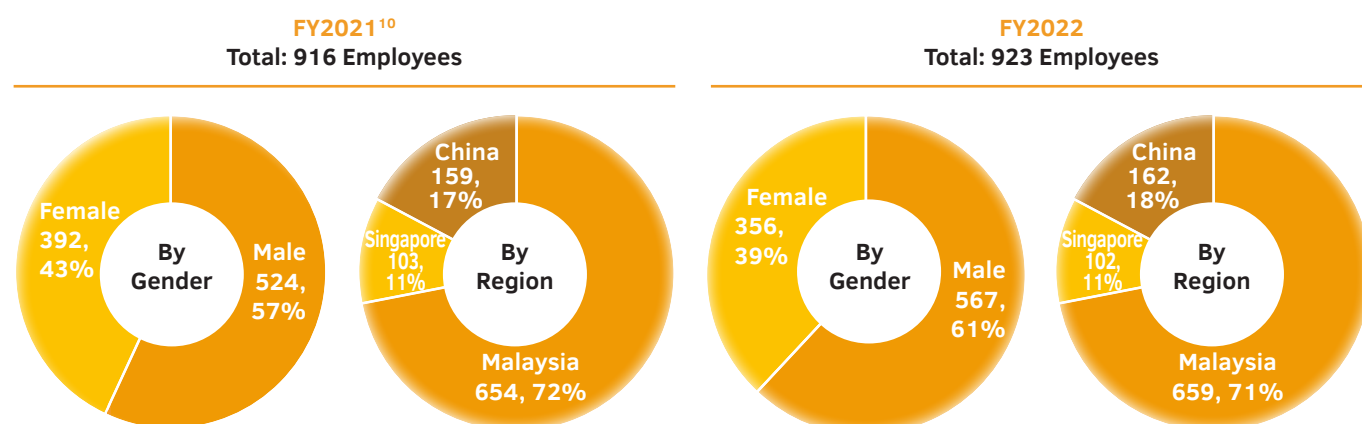


Table 7: Breakdown of employees by contract (permanent or temporary), gender and region

Region	FY2021					FY2022				
	Employment Type				Total	Employment Type				Total
	Permanent Contract		Temporary Contract			Permanent Contract		Temporary Contract		
	Male	Female	Male	Female		Male	Female	Male	Female	
Singapore	40	61	1	1	103	43	59	0	0	102
Malaysia	371	231	7	45	654	416	225	0	18	659
China	105	54	0	0	159	108	54	0	0	162
<b>Total</b>	516	346	8	46	916	567	338	0	18	923
	862		54			905		18		

Table 8: Breakdown of employees by employment type (full-time and part-time), gender and region

Region	FY2021					FY2022				
	Employment Type				Total	Employment Type				Total
	Full-time		Part-time			Full-time		Part-time		
	Male	Female	Male	Female		Male	Female	Male	Female	
Singapore	40	61	1	1	103	43	59	0	0	102
Malaysia	378	269	0	7	654	416	231	0	12	659
China	105	54	0	0	159	108	54	0	0	162
<b>Total</b>	523	384	1	8	916	567	344	0	12	923
	907		9			911		12		

<sup>10</sup> Represented based on location of operations.



# SUSTAINABILITY REPORT

Figure 10: Sunright's Worker Demographics

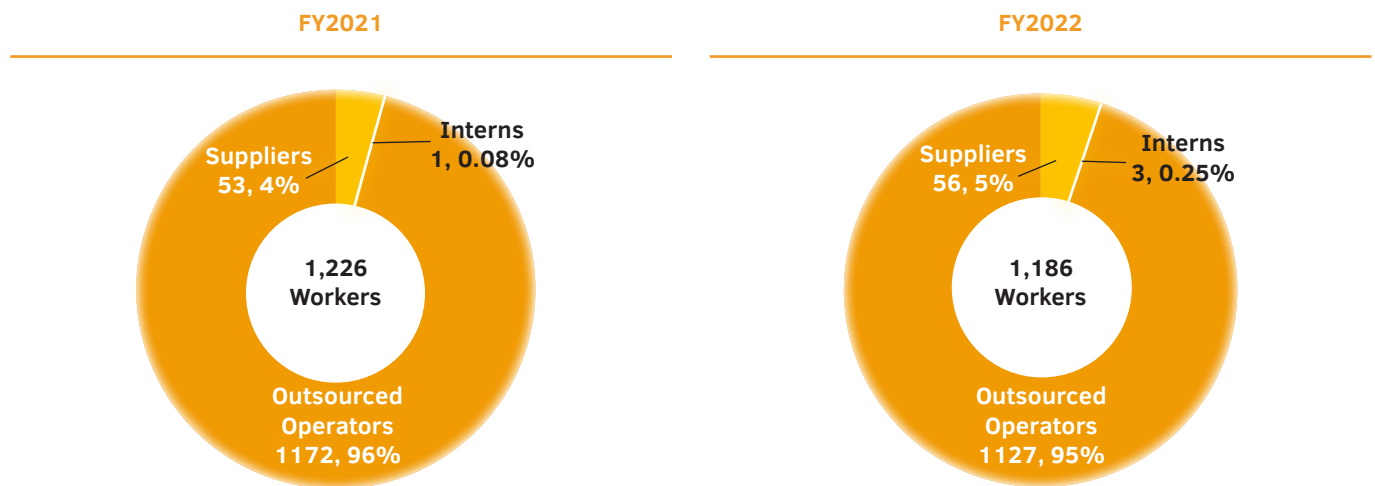


Table 9: Breakdown of employees by employee category, gender and age group

FY2022	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
<b>By Gender</b>						
Male	116	45%	401	68%	50	66%
Female	140	55%	190	32%	26	34%
<b>By Age Group</b>						
< 30 years old	158	62%	183	31%	0	0%
30-50 years old	86	33%	355	60%	45	59%
> 50 years old	12	5%	53	9%	31	41%

FY2021	Employee Category					
	Direct Labour		Exempt/Non-Exempt		Manager	
<b>By Gender</b>						
Male	37	19%	442	68%	45	63%
Female	161	81%	205	32%	26	37%
<b>By Age Group</b>						
< 30 years old	101	51%	206	32%	2	3%
30-50 years old	81	41%	383	59%	41	58%
> 50 years old	16	8%	58	9%	28	39%

# SUSTAINABILITY REPORT

Sunright strives to maintain a balanced employee profile across all demographic groups to the best of our ability. This is reflected in our hiring practices and our efforts at talent retention, as well as our workforce, new hires, and turnover demographics, which reflect the results of these efforts.

In FY2022, we hired a total of 545 new employees, in line with a comparable turnover of 538 employees. We are cognizant of the volatile job market in these times and will continue to monitor these statistics closely.

Figure 11: Total Number of New Hires by Gender, Age Group and Regions<sup>11</sup>

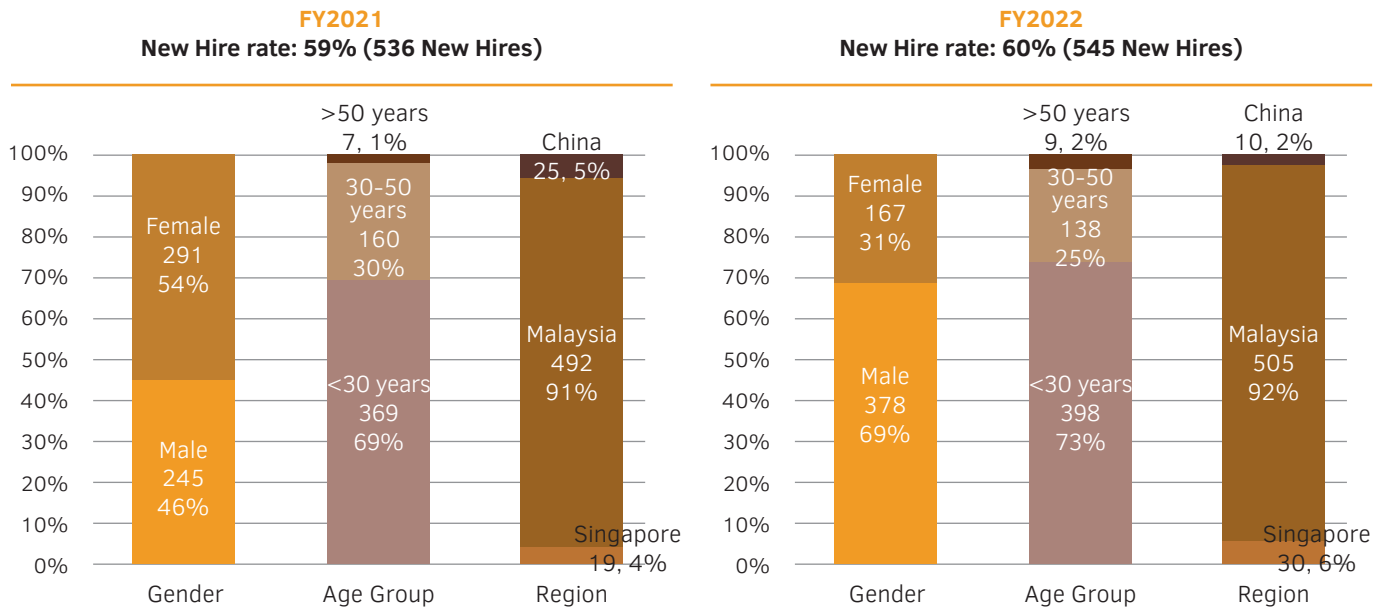
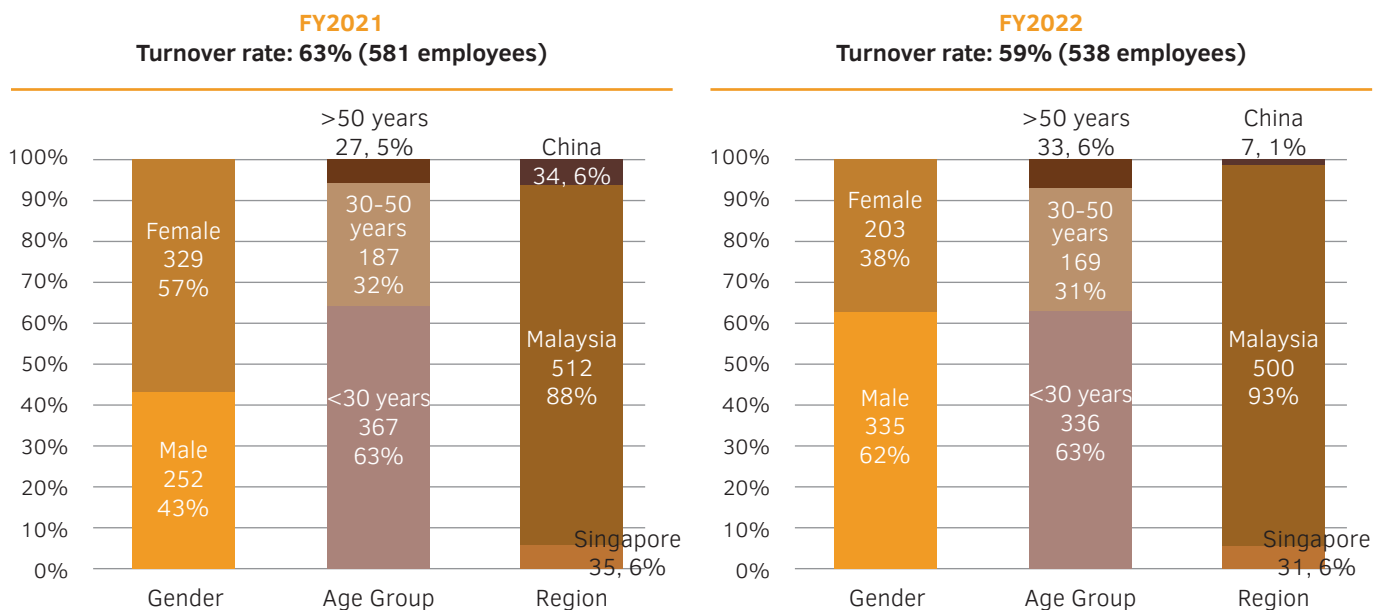


Figure 12: Total Number of Turnover by Gender, Age Group and Region<sup>12</sup>



<sup>11</sup> Represented based on location of operations.

<sup>12</sup> Represented based on location of operations.

# SUSTAINABILITY REPORT





## Fair Employment Practices

[GRI 2-23, 2-24, 2-25, 2-26, 406-1]

Sunright recognises that our greatest asset is human capital. The collective skills and knowledge of our employees and workers are invaluable to us. As a result, it is of utmost priority to us to foster good relations with them. We strive to gather feedback from and understand the needs of our employees, allowing us to develop measures and policies with the goal of ensuring their continued physical and mental well-being. These policies are made readily available and accessible to all employees in organisation-wide shared folders.

Sunright is a proponent of fairness within our organisation. Advancements and compensation within the company is governed by meritocratic policies. We have zero tolerance for preferential treatment of our employees and commit to taking strong action against any instances of such practices in our organisation.

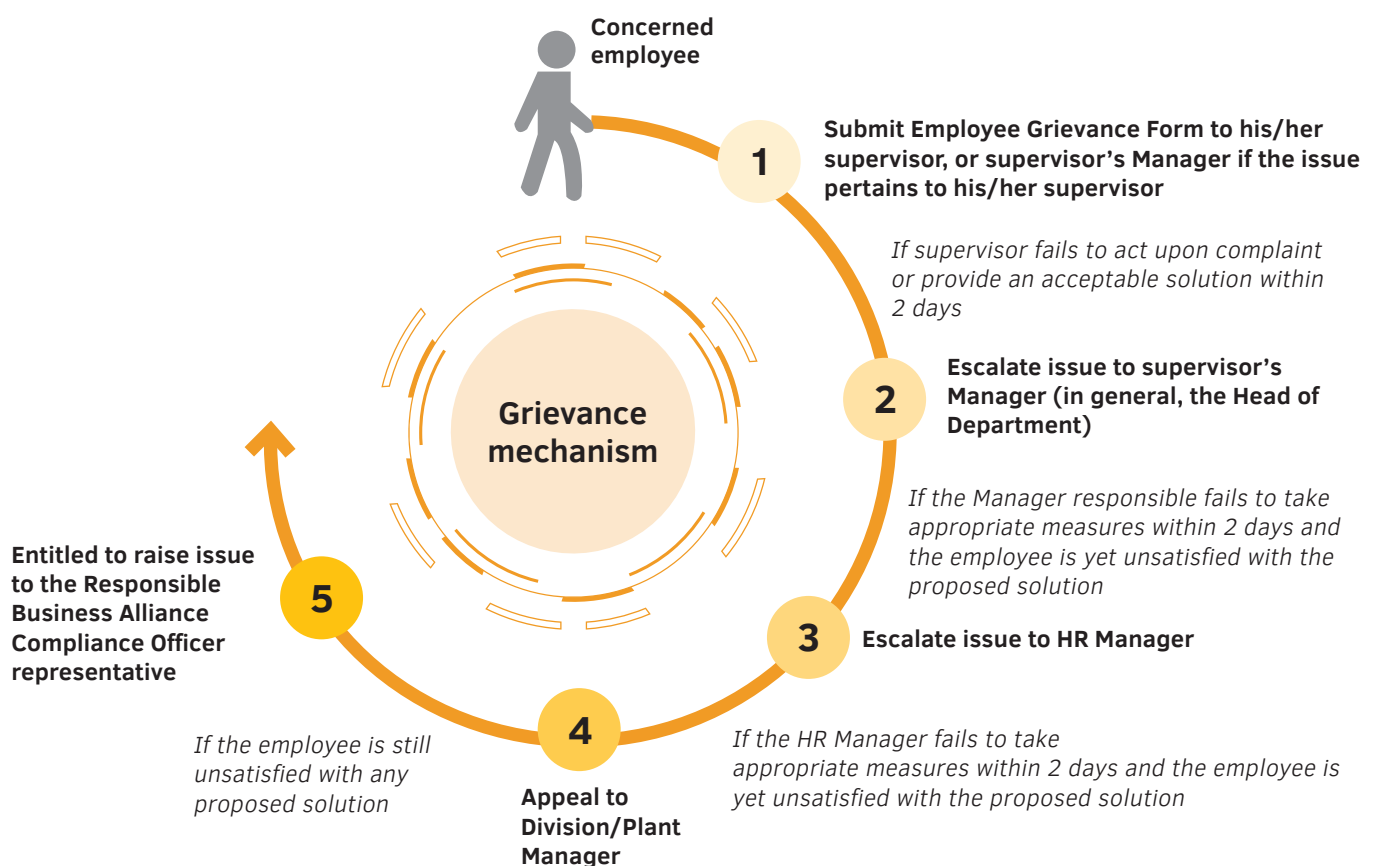
Table 10: Sunright's Policies on Fair Employment and Well-Being of Employees and Workers

Name of Policy	Policy Description
<b>Recruitment and Selection Policy</b> 	<p>Sunright's hiring practices are merit-based and non-discriminatory. Our recruitment policy covers the terms and conditions of the recruitment process, selection and placement of all qualified applications as well as current employees. We do not condone any form of discrimination and race, colour, religion, gender, age, sexual orientation, gender identity and expression, ethnicity or national origin, covered veteran status, protected genetic information, disability, pregnancy, political affiliation, union membership and marital status.</p>
<b>Grievance Procedures/ Mechanism</b> 	<p>In line with our commitment to understand employee concerns, all our employees are encouraged to voice their concerns through the feedback channels provided. Sunright also has in place a standardised grievance reporting mechanism that allows workers to report their grievances without fear of reprisal or retaliation. This mechanism covers both our employees and foreign workers, who are able to submit their concerns in their native language, and the HR department will seek the assistance of a translator for investigation and provision of solutions. Overall, this ensures that the employees' case will be investigated promptly by our dedicated HR team that is specialised to deal with such matters.</p>
<b>Labour and Human Rights Standards</b> 	<p>Our commitment to ensure proper labour and human rights practices is in line with our CSR goals. We acknowledge the importance of ensuring a safe, conducive and healthy environment for our employees, customers, vendors and shareholders as part of our strategy and operating initiatives. We value the diversity of our workforce, freedom of expression and feedback provided by our employees. If employees have safety concerns regarding their work environment or they feel their workspace is not conducive for daily work and productivity, they are encouraged to immediately voice their concerns to their supervisor.</p> <p>Sunright has zero tolerance for racism, verbal abuse, discrimination and derogatory remarks. We expect the highest ethical standards from all our employees and will not hesitate to suspend, dismiss or report rouge employees to the relevant authorities. This policy is also available in Mandarin Chinese for the ease of understanding and benefit of employees at our Tianjin facility.</p>
<b>Benefits Policy</b> 	<p>We show appreciation to our employees by providing competitive pay, a healthy work-life balance and benefits. Our comprehensive benefits policy that is allotted to all our employees covers medical benefits, public holidays, service awards, annual salary review, gifts on occasions, etc.</p>

Sunright prioritises fairness throughout all our operations, and as such, our fair employment practices also extend to our outsourced workers. Audits are conducted on a quarterly basis for any subsidiaries that provide a large number of outsourced foreign workers to our operations are audited on a quarterly basis; audits include a review of worker pay slips to ensure timely and fair compensation. In accordance with the RBA checklist, monthly audits are also conducted on the accommodations provided for our foreign workers by external vendors, and audit reports will be provided to Sunright upon request. No significant findings have been raised from these audits to date.

As our commitment to build a culture of ongoing feedback in Sunright, the HR department organises regular dialogue sessions to receive any grievances, concerns, feedback and suggestions raised by our employees and workers. Furthermore, as part of our formalised employee grievance mechanism (see Figure 13), employees who feel unfairly treated or are experiencing any workplace discrimination are encouraged to approach their supervisor or use our HR feedback channels, and issues raised may be escalated as necessary to ensure that they are fully resolved.

Figure 13: Sunright's Employee Grievance Mechanism



In FY2022, no substantiated complaints were received from our employees regarding unfair or discriminatory employment practices within Sunright.

### Employee Engagement and Training

[GRI 404-1]

As part of our commitment to employee welfare and well-being, Sunright has instituted measures and activities to demonstrate appreciation to our staff. We recognise that positive experiences at the workplace are more likely to have a positive impact on employee productivity, work quality, and retention. Pre-COVID-19, we were able to carry out recreational activities for our staff, including sports and bonding activities. We also celebrated birthdays, where staff were presented with a small token of appreciation and a birthday message from the company.

# SUSTAINABILITY REPORT

In FY2022, we continued the “perfect attendance incentive” programme, whereby any employee in the production area with perfect attendance record would be entered into a lucky draw for cash prizes and other rewards.

Sunright also understands the importance of allowing employees to upskill themselves and remain relevant. In FY2022, our employees underwent an average of 40.5 hours of training covering topics that develop their soft skills as well as technical topics on equipment and machinery safety, purchasing management and knowledge on the various ISO standards. The breakdown of the training hours can be found below.

Table 11: Breakdown of average training hours by gender and employee category<sup>13</sup>

FY2022	
<b>By Gender</b>	
Male	26.5
Female	63.7
<b>By Employee Category</b>	
Direct Labour	83.7
Exempt/Non-Exempt	25.9
Manager	9.9

Our Training Department continues to hold quarterly training sessions for our operators and technicians. Ensuring the quality of our staff also helps to ensure that they deliver quality products to our customers.

Figure 14: Quarterly training sessions for operators and technicians



Focus Area	Perpetual Target	FY2022 Performance
Fair Employment Practices	0 complaints from employees to regulatory authorities pertaining to unfair or discriminatory employment practices	Achieved

## PROTECTING THE ENVIRONMENT

[GRI 302-1, 305-1, 305-2]

Environmental stewardship is a duty that Sunright takes seriously. With the rising global spotlight on climate issues, we view it as more important than ever to carry our business in an environmentally sustainable manner. Our operations are guided by the Environmental Management System (certified to ISO 14001:2015) as well as other local Energy Policies. Additionally, our expectations regarding certain environmental standards such as resource conservation, dealing with hazardous substances, wastewater and solid waste, and air emissions are codified in our Code of Conduct.

<sup>13</sup> This is a new disclosure in FY2022 hence, the group is unable to obtain past year data due to data collection constraints from certain operations.



# SUSTAINABILITY REPORT

Figure 15: Sunright's Fuel Consumption from non-renewable sources

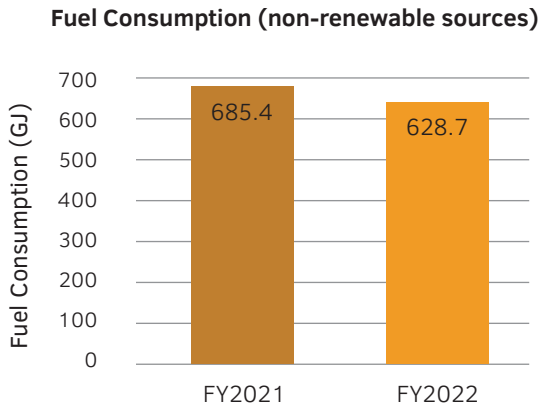
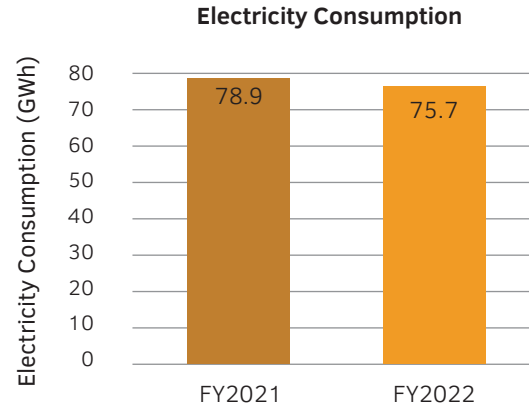


Figure 16: Sunright's Electricity Consumption



Mobile gasoline is the main fossil fuel used at Sunright for mobile combustion and it accounted for 628.7 GJ in FY2022, a decrease of 8.3% from the previous year. The electricity consumption decreased by 4.1% to 75.7 GWh due to a scale down of our EMS operation. Overall, these translate to a total energy consumption of 75.9 GWh in FY2022.

Figure 17: Sunright's Scope 1 Emissions<sup>14</sup>

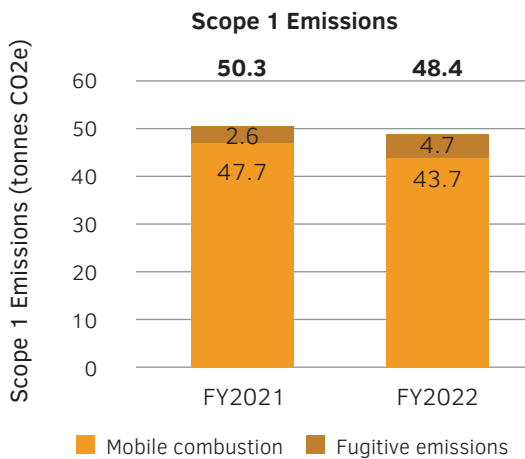
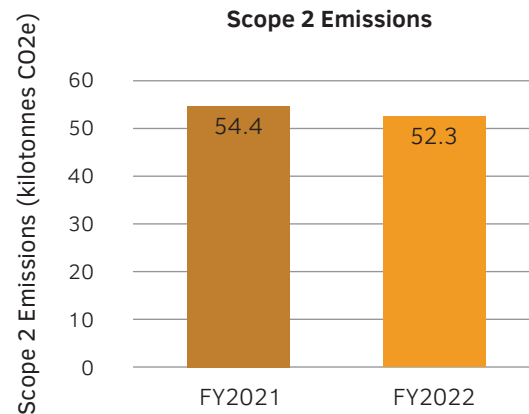


Figure 18: Sunright's Scope 2 (Indirect) Emissions<sup>15,16</sup>



Our Scope 1 emissions saw a decrease of 3.8% in FY2022 to 48.4 tonnes CO2e, mainly driven by the decreased consumption from mobile combustion. On the other hand, our Scope 2 emissions have decreased by 3.9% to 52.3 kilotonnes CO2e. This achievement is also a testament to our continued close monitoring of electricity consumption to reduce our environmental footprint.

Focus Area	Perpetual Target	FY2022 Performance
Energy Consumption	2% reduction in year-on-year electricity consumption	Achieved 4% reduction

<sup>14</sup> Scope 1 fugitive emissions are due to leakage of other greenhouse gas from residential and commercial air conditioning including heat pumps and medium and large commercial refrigeration.

<sup>15</sup> The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 emissions for FY2021 and FY2022 have been obtained from the Institute for Global Environmental Strategies ("IGES") 2020 database.

<sup>16</sup> FY2021 Scope 2 emissions have been restated to reflect the updated emission factors.

# SUSTAINABILITY REPORT

## Highlight: Solar Installation

Sunright constantly seeks opportunities to adopt new technologies into our operations to mitigate our environmental footprint. In FY2022, Sunright has finalised plans for the installation of a rooftop solar panel system, which is estimated to supply roughly 650 MWh / year of carbon-free energy to our operations.

In addition to supplying roughly 0.8% of our electricity consumption, thereby reducing our Scope 2 emissions by roughly 0.42 kilotonnes CO<sub>2</sub>e, the installation is also estimated to save Sunright around SGD85,000 a year in operating costs.

At our Tianjin facility, the local Energy Policy was designed for efficient management of the plant's energy and electricity consumption. Despite the existing Tianjin pilot Emission Trading System not covering the semiconductor and electronics manufacturing industry, we are committed to contribute towards national carbon emissions reductions.

In addition, Sunright has replaced traditional Compact Fluorescent ("CLF") bulbs with LED lighting at production areas in Singapore and Tianjin for electricity and cost savings.

In line with this commitment, we have sought out ways to address any glaring energy inefficiencies in our current operations. Outlined below are the details of the energy-efficiency initiatives we have undertaken in our Tianjin plant as well as our Singapore plant.

Project	About the Project	Expected Outcome of the Project
<b>Implementing LED lighting</b>	We replaced traditional factory lighting with LED lighting for electricity and cost savings in our Tianjin and Singapore production plants.	We observed a total of 46% reduction in power consumption when LED lighting was used instead of traditional lightings.  Specifically, the Tianjin plant noted a 55% annual reduction in power consumption while the Singapore plant observed a 25% annual reduction in power consumption by replacing CLF bulbs with LED bulbs.
<b>Fixing frequency converter on air conditioning water pump</b>	We fixed the frequency converter in the air conditioning water pump for electricity and cost savings.	An 18% reduction in power consumption was resulted from repairing the frequency converter.
<b>Installing a drying machine (planning stage)</b>	To replace current factory compression air machine for reduced power consumption and cost savings.	This is estimated to result in a 10% reduction in power consumption when the drying machine is used instead of the current factory compression air machine.

## METHODOLOGY

This section details definitions, methodologies and data boundaries otherwise not already specified, applied to the sustainability performance data disclosed in our sustainability report. They are made with reference to GRI Standards Glossary 2021, internationally recognised standards and the reporting guidance set out in the respective GRI topic-specific disclosures. The GRI topic-specific disclosures covered are listed out in the GRI Content Index of this report.

### Employee

Employee is defined as an individual who is in an employment relationship with the Group, according to its national law. Sunright's employee profile can be broadly broken down by employee level as defined below:

Direct Labour: Plant workers

Exempt/Non-Exempt: Technicians and executives

Manager: All levels of managers including senior management and above

Senior Management: Heads of Departments and above

## **Employee New Hire and Turnover**

The rate of new hires takes the total number of new hires over the total number of employees as at 31 July 2022, expressed as a percentage. Likewise, the rate of turnover takes the total number of turnovers over the total number of employees as at 31 July 2022, expressed as a percentage.

## **Training hours**

Average training hours per employee takes the total training hours for the financial year over the total number of employees recorded as at 31 July 2022.

## **Occupational Health and Safety**

According to the International Labour Organization, an occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work which results in one or more workers incurring a personal injury, disease or death. The coverage for occupational accident cases includes employees and workers at all Sunright operations.

With reference to GRI 403: Occupational Health and Safety Standard as well as Singapore's Ministry of Manpower ("MOM") Guidelines, the different types of occupational accidents are defined as follows:

- High consequence work-related injuries are work-related injuries that result in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
- Work-related injury is an injury that results in any of the following: death, days away from work, hospitalisation, medical treatment beyond first aid, or loss of consciousness.
- Work-related ill-health indicates damage to health and includes diseases, illnesses, and disorders.

Recordable work-related injury rates and recordable high consequence work-related injury rates were calculated based on 1,000,000 hours worked, using the formula of the total number of injuries divided by the number of hours worked multiplied by 1,000,000.

## **Non-compliance incidents**

Such incidents refer to non-compliance with social, economic and environmental laws and/or regulations applicable to the Group, brought through dispute resolution mechanisms and/or resulting in:

- Significant fines
- Non-monetary sanctions

## **Energy consumption and Greenhouse Gas ("GHG") emission data**

Energy consumption and GHG emissions data of Sunright Group covers the consumption of Sunright operations in Singapore, Malaysia and China. The total energy consumption is expressed in Gigawatt hours ("GWh") while emissions are expressed in tonnes of CO<sub>2</sub> ("tonnes CO<sub>2</sub>e") and kilotonnes of CO<sub>2</sub> ("kilotonnes CO<sub>2</sub>e") for Scope 1 and 2 emissions respectively.

For petrol, CO<sub>2</sub>, methane ("CH<sub>4</sub>") and nitrous oxide ("N<sub>2</sub>O") were included in the GHG calculation. Default emissions factors were sourced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories while the global warming potential ("GWP") values were sourced from the 2021 IPCC Sixth Assessment Report ("AR6").

The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 emissions for FY2021 and FY2022 have been obtained from the Institute for Global Environmental Strategies ("IGES") 2020 database. The emission factors for Singapore, China (North China Grid) and Malaysia were last updated in 2020, 2019 and 2017 respectively. FY2021 Scope 2 emissions have been restated to reflect the updated emission factors.

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

Disclosure		Reference(s) or Reasons for Omission
<b>Material Topic: General Disclosures</b>		
<b>Organisational Profile</b>		
2-1	Organisational details	About Sunright Limited (page 9)
2-2	Entities included in the organisation's sustainability reporting	About the Report (page 9)
2-3	Reporting period, frequency and contact point	About the Report (page 9)
2-4	Restatements of information	Prior year Scope 2 emissions and the number of employees who received anti-corruption communication and training were adjusted to reflect the updated emission factors and improvements in data collection respectively.
2-5	External assurance	About the Report (page 9)
2-6	Activities, value chain and other business relationships	About Sunright Limited (page 9)
2-7	Employees	Sunright's Employee and Worker Profile (pages 22-25)
2-8	Workers who are not employees	Sunright's Employee and Worker Profile (pages 22-25)
2-9	Governance structure and composition	Our Sustainability Commitment and Governance (pages 9-10)
2-10	Nomination and selection of the highest governance body	Corporate Governance Report (pages 35-52)
2-11	Chair of the highest governance body	Corporate Governance Report (pages 35-52)
2-12	Role of the highest governance body in overseeing the management of impacts	Our Sustainability Commitment and Governance (pages 9-10)
2-13	Delegation of responsibility for managing impacts	Our Sustainability Commitment and Governance (pages 9-10)
2-14	Role of the highest governance body in sustainability reporting	Our Sustainability Commitment and Governance (pages 9-10)
2-15	Conflicts of interest	Corporate Governance Report (pages 35-52)
2-16	Communication of critical concerns	0 substantiated cases reported
2-17	Collective knowledge of the highest governance body	Our Sustainability Commitment and Governance (pages 9-10)
2-18	Evaluation of the performance of the highest governance body	Our Sustainability Commitment and Governance (pages 9-10)
2-19	Remuneration policies	Corporate Governance Report (pages 35-52) However, current remuneration policies do not incorporate the objectives and performance of governance bodies in relation to the management of the organisation's impacts on the economy, environment, and people.
2-20	Process to determine remuneration	Corporate Governance Report (pages 35-52)

# SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
2-21	Annual total compensation ratio	Sunright is unable to disclose the information due to confidentiality constraints.
2-22	Statement on sustainable development strategy	Our Sustainability Commitment and Governance (pages 9-10)
2-23	Policy commitments	Building an Ethical Culture (pages 17-19) and Fair Employment Practices (pages 26-27)
2-24	Embedding policy commitments	Building an Ethical Culture (pages 17-19) and Fair Employment Practices (pages 26-27)
2-25	Processes to remediate negative impacts	Fair Employment Practices (pages 26-27)
2-26	Mechanisms for seeking advice and raising concerns	Fair Employment Practices (pages 26-27)
2-27	Compliance with laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 17)
2-28	Membership associations	Singapore Business Federation, Singapore Manufacturing Federation, Malaysian Employers Federation, The Free Trade Zone, Penang Companies' Association
2-29	Approach to stakeholder engagement	Stakeholder Engagement (pages 10-11)
2-30	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements. Nonetheless, our employees in China are covered under the All-China Federation of Trade Unions ("ACFTU"), a national federation of work organisations that represents the interests and safeguards the rights of workers in China. Sunright respects the rights of its employees to join or form a labour union.
<b>Material Topic: Management Approach</b>		
3-1	Process to determine material topics	Materiality Assessment (pages 11-13)
3-2	List of material topics	Materiality Assessment (pages 11-13)
<b>Material Topic: Ethical Business Conduct</b>		
<b>Anti-Corruption</b>		
3-3	Management of material topics	Building an Ethical Culture (pages 17-19)
205-1	Operations assessed for risks related to corruption	Building an Ethical Culture (pages 17-19)
205-2	Communication and training about anti-corruption policies and procedures	Building an Ethical Culture (pages 17-19)
205-3	Confirmed incidents of corruption and actions taken	Building an Ethical Culture (pages 17-19)
<b>Material Topic: Regulatory Compliance</b>		
<b>General Disclosures - Compliance</b>		
3-3	Management of material topics	Ensuring Strict Compliance with Applicable Laws and Regulations (page 17)
2-27	Compliance with environmental laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 17)



# SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
<b>Material Topic: Economic Performance</b>		
<b>Economic Performance and Procurement Practices</b>		
3-3	Management of material topics	Sustaining Economic Performance (pages 20-22)
201-1	Direct economic value generated and distributed	Contributing Direct Economic Value (page 20)
204-1	Proportion of spending on local suppliers	Managing Supply Chains Responsibly (pages 20-22)
<b>Material Topic: Fair Employment Practices</b>		
<b>Employment and Non-Discrimination</b>		
3-3	Management of material topics	Develop an Engaged Workforce & Fair Workplace (pages 22-28)
401-1	New employee hire and employee turnover	Sunright's Employee and Worker Profile (pages 22-25)
404-1	Average hours of training per year per employee	Employee Engagement and Training (pages 27-28)
405-1	Diversity of governance bodies and employees	Develop an Engaged Workforce & Fair Workplace (pages 22-28)
406-1	Incidents of discrimination and corrective actions taken	Fair Employment Practices (pages 26-27)
<b>Material Topic: Energy and Carbon Footprint</b>		
<b>Energy Consumption and Emissions</b>		
3-3	Management of material topics	Protecting the Environment (pages 28-30)
302-1	Energy consumption within the organisation	Protecting the Environment (pages 28-30)
305-1	Direct (Scope 1) GHG emissions	Protecting the Environment (pages 28-30)
305-2	Energy indirect (Scope 2) GHG emissions	Protecting the Environment (pages 28-30)
<b>Material Topic: Occupational Health and Safety</b>		
<b>Occupational Health and Safety (2018)</b>		
3-3	Management of material topics	Fostering a Safety Culture (pages 13-16)
403-1	Occupational health and safety management system	Fostering a Safety Culture (pages 13-16)
403-2	Hazard identification, risk assessment, and incident investigation	Fostering a Safety Culture (pages 13-16)
403-3	Occupational health services	Fostering a Safety Culture (pages 13-16)
403-4	Worker participation, consultation, and communication on occupational health and safety	Fostering a Safety Culture (pages 13-16)
403-5	Worker training on occupational health and safety	Fostering a Safety Culture (pages 13-16)
403-6	Promotion of worker health	Fostering a Safety Culture (pages 13-16)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Fostering a Safety Culture (pages 13-16)
403-9	Work-related injuries	Fostering a Safety Culture (pages 13-16)
403-10	Work-related ill-health	Fostering a Safety Culture (pages 13-16)

# CORPORATE GOVERNANCE REPORT

Sunright Limited (the “Company”) affirms its commitment to upholding a high standard of corporate governance, to safeguard the interests of all its stakeholders.

When establishing the Company’s corporate governance framework, the Board considered the principles and recommended provisions of the Code of Corporate Governance 2018 (the “Code”), their applicability to the Group’s business circumstances and adopts practices that are most suitable and effective, in order to achieve the high standards of corporate governance desired.

This Corporate Governance Report sets out the Company’s main corporate governance policy and practices, that were in place during the financial year ended 31 July 2022 (“FY2022”) and where appropriate, we have provided explanations for any deviations from the recommendations of the Code.

## BOARD MATTERS

### THE BOARD’S CONDUCT OF AFFAIRS

***PRINCIPLE 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

#### **Provision 1.1: Board’s Duties and Responsibilities**

##### Principal Duties of the Board

The Board assumes overall responsibilities over the Company and the companies within the Group, excluding the listed *de facto* subsidiary and its group of companies, which are associates and managed by a separate and independent Board listed on another stock exchange.

In discharging its duties and responsibilities, the Board has set the strategies to ensure that the Group is led and managed in an effective and responsible manner, so that the objectives and goals are met.

The Board is guided by its policies which set forth matters that require its approval. This assisted the Board in ensuring that performance of its duties and responsibilities are in line with the Constitution of the Company, the Singapore Companies Act 1967 (“CA”), the Listing Manual of the Singapore Exchange Securities Trading Ltd (“SGX-ST”) and applicable laws, regulations and rules that the Group is required to comply with.

The Company’s Board comprise individuals from the private sector who are entrepreneurs and professionals with the right core competencies and diversity of age, experience, gender and knowledge to enable the Board to provide effective guidance and good insights to the Management.

It has always been the governing principle adhered to by all of the Directors of the Company that regardless of whether they are independent or not, they have the fiduciary obligation to act in good faith and in the best interests of the Company.

The primary function of the Board is to provide effective leadership and direction, and work with Management to protect and enhance the long-term value of the Group to its shareholders and other stakeholders. In this regard, the key roles of the Board are to:

- guide the corporate strategy and direction of the Group;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed;
- ensure effective management and leadership of the highest quality and integrity; and
- provide oversight in the proper conduct of the Group’s businesses.

The Board sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group. It has established a code of conduct and ethics, to promulgate ethical values and conduct that Directors and employees are expected to observe.

# CORPORATE GOVERNANCE REPORT

## Conflict of Interest

Directors are aware that they must not allow himself or herself to get into a position where there is a conflict between his or her duty to the Company and his or her own interests. As a safeguard, any Director who has a conflict of interest in a particular matter or transaction under consideration, is required to disclose such interest to the Board and shall not participate in the deliberation on the matter or transaction and shall also abstain from voting on the matter or transaction.

## **Provision 1.2: Board's Training and Induction**

### Training and Development of Directors

From time to time Management provides the Directors with complete, adequate and timely information prior to and during the meetings of the Board and Board Committees, including regular updates, to keep the Directors up to speed on pertinent developments and matters. As such, the Directors are able to make informed decisions and discharge their duties and responsibilities well.

All Directors are also encouraged to undergo continuous training to broaden their perspectives and keep abreast with new statutory and regulatory requirements. Training is provided to Directors through a mix of in-house and external/virtual training programmes. In keeping with the Board's open policy for occasional training for all the Directors, a training budget has been set aside for Directors, so that they have the discretion to attend external/virtual training, on topics that they deem appropriate or relevant to develop their skills, knowledge and keep updated on impending regulatory changes.

During FY2022:

- The external auditor updated the Directors on developments in accounting standards and governance matters during scheduled Audit and Risk Committee meetings, as well as via its regular circulation of newsletters.
- The Management briefed the Board during scheduled meetings, as well as via circulated articles and media releases on updates to the CA, changes to the Code, listing rules of the SGX-ST and pertinent topics on cybersecurity, internal audit, risk management, etc.
- The sustainability consultant provided updates to the Board on developments in sustainability compliance.
- Regular presentations were made to the Directors by the Management during scheduled meetings, on the Group's businesses, activities, strategic directions, industry environment and developments affecting the Group, including the changing commercial risks that the Group is facing.

### Induction of Newly Appointed Directors

The Company issues a formal letter of appointment to newly appointed Director, setting out clearly among other matters, his/her role, obligations, duties and responsibilities as a director. As part of the onboarding process, Management will provide such Director with a comprehensive induction programme, with relevant materials provided to familiarise him/her with the Company's Board policies and processes, the Group's businesses, operations, financial performance, risk management and internal control systems, as well as governance practices. Newly appointed Director who has no prior experience being a director of a listed company in Singapore has to undergo the Mandatory Training for first-time director, as prescribed by SGX-ST.

In FY2022, no new director was appointed.

## **Provision 1.3: Board's Reserved Matters**

The Board has established a set of delegations of authority, which documents matters that require its approval. In general, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Management, to optimise operational efficiency as well as provide a system of checks and balances.

Matters and transactions that normally require the consideration and approval of the Board, include annual budgets, annual financial statement, announcements to the SGX-ST, adoption of corporate governance practices, corporate restructuring, declaration of dividends, major investments, as well as oversight of risk management and internal control systems.

# CORPORATE GOVERNANCE REPORT

## Provision 1.4: Board Committees

The Board is supported by three Board Committees, namely the Audit and Risk Committee (the “ARC”), the Nominating Committee (the “NC”) and the Remuneration Committee (the “RC”), each of which operates under delegated authority from the Board, to assist the Board in discharging its oversight function. These Board Committees are constituted with clear written Terms of Reference setting out their compositions, authorities and duties, including reporting back to the Board. While the Board Committees have the authority to examine and may approve certain matters, they generally report to the Board with their recommendations for the Board’s decisions.

## Provision 1.5: Time Commitment of Directors

### Attendance of Meetings

The Board and Board Committees meet on a scheduled basis, at least two to three times annually. Additional meetings are convened as may be warranted by particular circumstances. Board and Board Committees meetings are normally conducted physically. When circumstances require, such meetings can be held by electronic means, either in audio or video modes. In this manner, all Directors are able to attend and actively participate in the meetings. The meetings of the Board and Board Committees held in FY2022 were conducted in an electronic manner except for one that was held in a hybrid format.

Meetings of the Board and Board Committees have always been conducted in an open and participative manner, whereby all Directors engage in constructive debate, dissenting views are allowed to be freely expressed and thorough deliberations made on agenda matters, to ensure the quality of the decision making and with the interests of the Company at heart.

The commitment of individual Directors in carrying out their duties is reflected in their attendance at the meetings of the Board and Board Committees held in FY2022, as shown in the table below:

Name of Directors	Types & Number of Meetings	Board	ARC	NC	RC
		3	2	2	2
Samuel Lim Syn Soo		3	2*	2	2*
Kenneth Tan Teoh Khoon		3	2*	2	2*
Daniel Soh Chung Hian		3	2	2	2
Timothy Brooks Smith		3	2	2	2
Sandy Foo Fei Ying		3	2	1	1

\* By invitation

In between the scheduled meetings of the Board and Board Committees, important or time sensitive matters are also discussed/reviewed in person, on the telephone or via email, for consultations and when necessary, approval on the matters under discussion/review are made by way of circular resolutions together with supporting papers (where relevant) to facilitate informed decision making.

## Provision 1.6: Board’s Access to information

All Directors have full and unrestricted access to timely information which is necessary for them to discharge their duties responsibly.

Agendas and meeting papers containing reports, financial statements and information to facilitate active participation and informed decision making, are typically circulated to the Board, and the Board Committees, a week or so prior to the meetings. This allows the Directors ample time to study and evaluate the matters to be discussed at the meetings. Furthermore, Directors may request for additional clarification and information, to assist them in their decision making.

# CORPORATE GOVERNANCE REPORT

## **Provision 1.7: Board's Access to Management, External Advisers and Company Secretary**

Directors have separate and independent access to Management and the Company Secretary at all times, during face-to-face meetings as well as through electronic mails, telephone and video conference.

The Directors may seek and obtain independent professional advice at the Company's expense, where necessary, to fulfil and discharge their duties and responsibilities as Directors.

The Board is supported by the Company Secretary, who attends to the administration of corporate secretarial matters, advises the Board on governance matters and ensures the Company complies with its Constitution and relevant laws and regulations, including the CA, the Securities and Futures Act and the Listing Manual of SGX-ST ("Listing Manual"). The Company Secretary attends and prepares the minutes of meetings of the Board, Board Committees and shareholders and provides assistance to the chairmen of the Board and Board Committees, to ensure Board procedures are adhered to.

The Board decides on the appointment and termination of the Company Secretary.

## **BOARD COMPOSITION AND GUIDANCE**

***PRINCIPLE 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

### **Provision 2.1: Determination of Director's Independence**

The Board espouses the principle that a board composition with a strong and independent element, as well as diversity of thought and background facilitates Directors to: (i) engage in robust deliberations with Management; (ii) provide external, diverse and objective insights on issues brought before the Board and Board Committees for discussion and deliberation; and (iii) provide oversight to ensure Management discharges its roles and responsibilities effectively.

The Board as at FY2022 and currently comprises five Directors, of whom two are executive and three are non-executive. All the Non-Executive Directors ("NEDs") are independent.

The independence of the Directors is monitored by the NC and ensured by the Board. On an annual basis and as and when circumstances require, the NC and the Board make reference to the Listing Manual and the guidelines provided in the Code, to determine whether or not a Director is independent in conduct, character and judgement, and has any relationship with the Company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, in the best interests of the Company and has not served on the Board for a continuous period of nine years or longer unless separate approval has been sought from shareholders via a two-tier voting.

For FY2022, each of the Independent Directors ("IDs") had declared that there were no relationships or circumstances, which impact his/her independence status and he/she has been able to act independently and liberally. The declarations made by the IDs had been assessed by the NC and in subsequence thereof, the Board undertook a review of their independence and had determined that Messrs Daniel Soh Chung Hian, Timothy Brooks Smith and Sandy Foo Fei Ying, continue to be independent. The Board, in its rigorous review of the long-tenured ID i.e. ID who has served on the Board beyond nine years, inter alia Mr Timothy Brooks Smith, was satisfied that he was and has been able to act independently, in the best interests of the Company. He abstained from participating in his own review by the Board.

The Board had previously sought shareholders' approval at the 42<sup>nd</sup> Annual General Meeting of the Company, through a two-tier voting, to allow Mr Timothy Brooks Smith to continue as an ID, until his retirement, or resignation, or the conclusion of the AGM to be held in 2023, whichever is the earlier.

### **Provision 2.2: Majority Independence Criteria if Chairman is non-independent**

The Board Chairman is not an ID as he also assumes the position of Chief Executive Officer ("CEO").

At the close of FY2022 and currently, the Board comprises of three IDs which constitute a majority of the Board, in keeping with the Code's recommendation that IDs make up a majority of the Board where the Chairman is not independent.

# CORPORATE GOVERNANCE REPORT

## Provision 2.3: Majority Non-Executive Directors

The Board has three NEDs, which make up a majority of the Board.

## Provision 2.4: Size, Composition and Diversity of Board and Board Committees

During FY2022, the NC had undertaken an assessment of the size and composition of the Board and Board Committees and was satisfied that they are of the right size and are well balanced from the perspective of the mix of skill set, knowledge, experience, independence and diversity in age, gender and tenure. The Board similarly concurred with the NC's findings that:

- given the Group's current size and nature of operations, the size of five Directors is optimal for effective and expedient decision-making; and
- its current composition comprises Directors who collectively have the core competencies and other aspects of diversity to avoid groupthink and foster constructive debate. The table below gives a snapshot on the various aspects of Board diversity:

<b>Age</b>	40-50 years = 20%	60-70 years = 60%	>70 years = 20%	
<b>Gender</b>	Male	80%	Female	20%
<b>Ethnicity</b>	Chinese	80%	Others - American	20%
<b>Nationality</b>	Singaporean	80%	American	20%
<b>Independence</b>	Independent	60%	Non-Independent	40%
<b>Core Competencies</b>	Accounting, finance, banking, business and management experience, customer-based experience and knowledge, engineering, human resources, industry experience and knowledge, international perspective, legal, manufacturing, marketing, public listed experience, investor relations, risk management and strategic development.			

The Board has not formalised a board diversity policy as is of the view that its current practice in conducting annual review to assess if the existing attributes and core competencies of the Board are complementary and contribute to the efficacy of the Board is consistent with the intent of Principle 2 of the Code.

In the absence of a formal policy, the Board remains committed to embrace board diversity to support the achievement of its strategic objectives, growth and sustainable development.

The Board notes the introduction of Rule 710A of Listing Manual which requires listed company to maintain a board diversity policy and to describe in its annual report the policy, including details such as diversity targets and the plans, timelines and progress in achieving the targets. The Board will look into setting the board diversity objectives and formalise a board diversity policy in FY2023.

When reaching out for candidates to fill Board vacancy, the Board takes cognisance of the Group's diversity practices and considered it along with the other important criteria deemed necessary to fill the gaps in Board composition. It is noteworthy that the Company has already embraced gender diversity even before the Company's listing in 1994 as there is a woman director on Board providing the gender diversity and women's participation in decision-making.

Accordingly, the Board has been and continues to ensure that the Board and Board Committees have an appropriate level of independence and diversity of thought and background in their composition to enable them to make effective decisions.

## Provision 2.5: Meeting of Independent Non-Executive Directors

The NEDs who are also the IDs, led by the Lead ID, meet informally without the presence of Management when the need arises. The Lead ID will provide feedback to the Board after such meetings, as appropriate.

In FY2022, the IDs met once without the presence of Management.



# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**PRINCIPLE 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

### **Provision 3.1: Board Chairman and CEO are separate individuals**

The Board Chairman is Mr Samuel Lim, who is also the Company's CEO. This single leadership appointment is a deviation under this Provision which recommends that each role should be held by separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

The Board has taken the view that given the nature and size of the Group's businesses, it is in the best interests of the Company to vest both roles on the same individual, Mr Samuel Lim.

Mr Samuel Lim is a 50 year veteran of the local semiconductor industry. He brings unique combination of technological and commercial insights.

His deep knowledge of the products, experience of the business, wide contacts in the industry and visionary leadership will ensure there is effective management and continued success of the Group in meeting its obligations and goals. The combined roles thus provide the Group with a strong and consistent leadership, and allows for more effective planning and expeditious execution of the business strategies.

The Board also views that there is a strong element of independence on the Board to ensure fair and objective deliberation.

Furthermore, in view of Mr Samuel Lim's performance, professionalism and objectivity in discharging his responsibilities, the Board fully supports the retention of his combined roles as Board Chairman and CEO.

### **Provision 3.2: Written division of responsibilities of Chairman and CEO**

The Board is mindful of the concern over the balance of power and accountability issues attributable to the combined roles of the Board Chairman and CEO. To ensure that there are proper checks in place, to safeguard the interests of the Company, the Board has set out clearly in writing the division of responsibilities between both roles.

As Chairman, Mr Samuel Lim is responsible for the overall management of the Board, which encompasses leading the Board to ensure its effectiveness, as well as ensuring the Directors and Management work together with integrity and competency; and he guides the Board in constructive debates on the Group's strategic direction, management of the businesses and governance matters.

In his role as CEO, Mr Samuel Lim has overall responsibility for the running of the Group's business operations. He has full executive responsibilities over the business and operational decisions of the Group, as well as ensuring the Group's compliance with the applicable laws and regulations in its day-to-day operations.

### **Provision 3.3: Lead Independent Director**

This Provision recommends that a Lead ID be appointed where the Chairman is conflicted or not independent.

Mr Daniel Soh Chung Hian has been appointed as the Lead ID on 1 February 2021. Shareholders may reach out to the Lead ID if they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate, on the email address available on the Company's website.

# CORPORATE GOVERNANCE REPORT

## BOARD MEMBERSHIP

**PRINCIPLE 4:** *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

### Provisions 4.1 and 4.2: Nominating Committee and its composition

The NC comprises five Directors, namely: Messrs Daniel Soh Chung Hian (Chairman and Lead ID), Timothy Brooks Smith, Sandy Foo Fei Ying, Samuel Lim Syn Soo and Kenneth Tan Teoh Khoon, majority of whom (including the Chairman) are independent.

The NC is regulated by its Terms of Reference and its principal functions are to review:

- Structure, size and composition of the Board and making recommendations to the Board with regard to any changes deemed necessary;
- Effectiveness of the Board, Board Committees and individual Directors and developing appropriate procedures for such evaluations;
- Independence of IDs;
- Training and professional development programmes for the Board and its directors;
- Succession plan for Directors, in particular the Executive Directors;
- Identification of Key Management Personnel (“KMP”);
- Proposal of candidates for appointment to the Board; and
- Re-appointment of Directors.

In FY2022, the NC met two times, to review the Board size, structure and composition; assess the independence of the IDs; evaluate the performance and effectiveness of the Board, Board Committees, as well as the Directors; review time commitment of Directors, assess trainings received by Directors, identify KMP and recommend the re-election of Directors.

### Provision 4.3: Selection, Appointment and Re-Appointment of Directors

The NC is tasked to assist the Board to find suitable candidates for appointment to the Board and to make appropriate recommendation. The NC is guided by the policy set by the Board in the identification, selection and appointment of new director candidates.

The Board seeks to ensure its composition provides for appropriate level of independence and diversity of thought and background. In identifying suitable candidates for appointment to the Board, the Board prioritises the needs of the Group and takes into account the industry and business experience, skills, expertise and background of the candidates. In addition, the Board will give due regard to the requirements in the Listing Manual and the Code. The Board will also consider the candidate's ability to commit sufficient time so as to effectively discharge his or her duties as Director.

### Provision 4.4: Director's Independence

As described under Provision 2.1, the IDs, including those whose tenure has exceeded nine years cumulatively, have been assessed by the NC to be independent.

The Board is satisfied all the IDs have continued to demonstrate their ability to exercise independent judgement, while acting in the best interests of the Company. The Board does not consider length of tenure as a criterion affecting a director's independence, as there are advantages to be gained from the long-serving directors. Over time such director may have developed good insights and valuable institutional knowledge of the Group's businesses and affairs and can objectively provide significant and valuable contributions to the Board as a whole. In this connection, the Board will seek shareholders' approval through a two-tier voting process, to retain the long-tenured ID as ID, as appropriate.

# CORPORATE GOVERNANCE REPORT

## **Provision 4.5: Director's awareness and adequate discharge of duties**

### New Director's Awareness of Duties and Obligations

As explained under Provision 1.2, newly appointed Director is made aware of his/her duties and obligations through the formal letter of appointment, the attendance of induction training conducted by the Company and the attendance of Mandatory Training prescribed by SGX-ST (if applicable).

### Multiple Directorships

Information on listed company directorships and principal commitments of each Director are set out under the "Board of Directors" section in this Annual Report.

As a matter of policy, the Board does not limit the maximum number of listed company board representation Directors may hold as long as the individual Directors is able to commit his or her time and attention to the affairs of the Group, including attending Board, Board Committees and shareholders' meetings. The Board believes that each Director is best placed to decide whether he or she has sufficient capacity to discharge his or her duties and responsibilities, in the best interests of the Group.

Taking into account the meeting attendance records of the Directors in FY2022, the confirmation provided by IDs of their ability to commit time and attention in discharging their duties as Directors, as well as the contribution and performance of each individual Director at such meetings, the NC had determined and the Board was satisfied that all the Directors have been able to adequately carry out their duties as Directors, notwithstanding some have multiple listed board representation and other principal commitments.

### Appointment of Alternate Director

In keeping with the principle that a Director must be able to commit his or her time and attention to the affairs of the Group, the Board does not encourage the appointment of alternate directors. No alternate director has been appointed to the Board in FY2022 or currently.

## **BOARD PERFORMANCE**

***PRINCIPLE 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

### **Provisions 5.1 and 5.2: Review of Performance of Board, Board Committees, Board Chairman and Individual Directors**

The NC has established objective performance criteria and a process on how the performance of the Board as a whole, Board Committees, Board Chairman and individual Directors, are to be evaluated on an annual basis.

The NC considers amongst others the adequacy of Board and Board Committees size and composition, information flow, accountability, overall effectiveness, the performance of the chairpersons etc., to evaluate the overall effectiveness of the Board, Board Committees and the Board Chairman. Assessment of individual Director focuses on areas such as interactive skills, knowledge, attendance and participation at meetings.

The evaluation process is carried out in-house via completion of relevant confidential questionnaires by Directors, seeking their views on various aspects of Board, Board Committees and individual Director performance. The responses received from the questionnaires were collated by the Company Secretary and a consolidated report was presented to the NC for assessment. The NC's assessments and recommendations are then presented to the Board for review and deliberation.

During FY2022, NC had undertaken the evaluations of the Board, Board Committees, Board Chairman and individual Directors, and is of the view that they have performed consistently well and operated effectively. The Board similarly concurred with the NC's assessments.

No external facilitator was involved in the aforesaid evaluation process.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**PRINCIPLE 6:** *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

#### Provisions 6.1, 6.2 and 6.3: Remuneration Committee

The RC comprises three NEDs, namely: Messrs Timothy Brooks Smith (Chairman), Daniel Soh Chung Hian and Sandy Foo Fei Ying, all of whom are IDs.

The RC is responsible for ensuring formal and transparent procedures are in place for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual directors and KMP. The RC also ensures that no director is involved in deciding his or her own remuneration.

The RC is regulated by its Terms of Reference and its principal functions are to assist the Board in:

- Reviewing remuneration policy for the Board;
- Recommending to the Board the remuneration structures, mix and quantum for the Directors, CEO and KMP;
- Approving performance measures and targets in the associated remuneration framework; and
- Consulting external independent advisers where necessary on remuneration matters.

The underlying principle of the Company's remuneration policy is to pay competitively and adequately. This translates to be remuneration that is attractive, but yet non-excessive to retain and recruit Directors and KMP of high calibre with the necessary skills and experience required for effective management of the Group.

In its review of the remuneration of the Directors and KMP, the RC made reference to prevailing market practices of comparable companies and take into account the scope of responsibilities and individual performance of the KMP, as well as the performance of the Group.

In FY2022, the RC met two times, to review the remuneration for the Directors, as well as deliberated on the extent of remuneration disclosures to be made in the Annual Report. The Board considered the RC's recommendations and is satisfied that the proposed remuneration for the Directors are fair and not excessive, and concurred that whilst there should be substantial disclosure, full disclosure of the remuneration information, would not be in the best interests of the Company.

#### Provision 6.4: Engagement of Remuneration Consultant

No remuneration consultant was engaged in FY2022, as the RC was able to access relevant information of some comparable companies and deemed it is not necessary.

## LEVEL AND MIX OF REMUNERATION

**PRINCIPLE 7:** *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

#### Provisions 7.1 and 7.3: Remuneration of Executive Directors and KMP

The remuneration policy of the Group is to provide compensation packages at competitive market rates, which reward successful performance and attract, retain and motivate the employees.

# CORPORATE GOVERNANCE REPORT

The remuneration packages of Executive Directors (“EDs”) and KMP, comprise a fixed and a variable component. The fixed component is the base salary and benefits, whereas the variable component is in the form of variable bonus that is linked to the performance of the Group and the individual. The variable component for the EDs also includes profit sharing awards which is conditional upon the Group achieving certain profit before tax targets. EDs do not receive directors’ fees. As such, there is close alignment between the interests of the executives, with those of the shareholders, to promote the long-term success of the Group.

The contracts of service of the EDs and KMP, do not have fixed tenures and contain fair and reasonable termination clauses. Also, there are no contractual provisions which allow the Company to reclaim any incentive component of remuneration from the EDs and the KMP, in exceptional circumstances, as the Board takes the view that variable bonuses are paid based on audited financial statements of the Group or Company, as the case may be applicable, as well as the actual performance of the individuals; and not on forward-looking results.

## Provision 7.2: Remuneration of Non-Executive Directors

The RC reviews the remuneration of the NEDs, to ensure their remuneration is appropriate (but not excessive) to their level of contribution, so as to attract and retain Directors to provide good stewardship of the Group.

The NEDs are paid remuneration in the form of fees and entirely in cash. To ensure each NED’s fees are commensurate with his or her responsibilities and time spent, each is paid a basic fee and additional fees, for performing additional responsibilities such as Board Committees and chairmanship roles. The fees are subject to approval by shareholders as a lump sum at each AGM.

The fees are reviewed every two years and benchmarked against comparable companies. No Director is involved in deciding his or her own fees.

The Board concurred with the RC’s recommendation on the proposed Directors’ fees for FY2022 is appropriate and not excessive, taking into consideration the time and effort spent by the Directors for serving on the Board and Board Committees, as well as their responsibilities.

## DISCLOSURE OF REMUNERATION

**PRINCIPLE 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### Provisions 8.1, 8.2 and 8.3: Disclosure of Directors’ Remuneration and KMP

The policy and criteria for setting remuneration of the Directors and KMP are discussed under the foregoing Provisions 7.1 to 7.3.

The remuneration payable to the IDs for FY2022 is as follows:

NON-EXECUTIVE DIRECTORS		FEES (S\$)	
Daniel Soh Chung Hian			65,700
Timothy Brooks Smith			55,000
Sandy Foo Fei Ying			55,000

EXECUTIVE DIRECTORS	SALARY	OTHER BENEFITS	TOTAL
S\$500,000 to S\$749,999			
Samuel Lim Syn Soo	81%	19%	100%
Kenneth Tan Teoh Khoon	81%	19%	100%

# CORPORATE GOVERNANCE REPORT

The disclosure of the remuneration of the EDs is presented only in bands, rather than amounts, as the Board takes the view that such details are commercially sensitive, due to the confidential nature of remuneration matters and the highly competitive industry conditions.

For FY2022, the Group have five KMP (who are not the Directors or the CEO) and their remuneration bandings are set out below:

REMUNERATION BANDING	NUMBER OF KMP
Less than S\$250,000	4
S\$250,000 to S\$499,999	1

In aggregate the total remuneration paid to the five KMP is not more than S\$1.1 million.

The RC and the Board are cognisant of the recommendation set out under Provision 8.1(b), to also disclose the names of the top five KMP (who are not the Directors or the CEO). The Board takes the view that such disclosure is commercially sensitive in this very competitive labour market for high calibre staff, as well as the negative impacts to the Group, if the disclosure is made. With keen competition for management staff in the semiconductor industry, such transparent disclosure may result in poaching of experienced senior management staff, as well as cause disharmony amongst members of the senior management team, which in turn affects the Group's human resource strategies in talent nurturing and retention.

The Company has not implemented any long-term incentive plan, such as employee share option scheme, as the Board is of the view that the current remuneration package is adequate. The Board will consider the need for such a scheme at an appropriate time.

Except for Mr Samuel Lim Syn Soo who is Chairman/CEO and substantial shareholder of the Company, no employees were substantial shareholders of the Company, or immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2022.

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

**PRINCIPLE 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

#### Provision 9.1: Board Risk Committee to address significant risks

The ARC assists the Board in overseeing the Group's risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks. The systems include organisational structure, strategic planning, risks management, financial management, operational control, information technology, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.

The Board acknowledges its responsibility to maintain a sound risk management framework and internal control systems, which includes the establishment of an appropriate risk management and control framework as well as reviewing its effectiveness, adequacy and integrity. However, in view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal controls is designed to manage and mitigate risks rather than eliminate the risk of failure to achieve the Group's internal control objectives. Accordingly, it can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The Board is assisted by Management and ARC for ensuring that business unit management maintains a sound system of risk management and internal controls addressing material financial, operational, compliance and information technology risks to safeguard shareholders' investments and the assets of the Group.



# CORPORATE GOVERNANCE REPORT

## Risk Management Framework

The Group has implemented an Enterprise Risk Management (“ERM”) framework and related processes for identifying, evaluating and managing significant risks faced by the Group.

The Board’s responsibilities for the governance of risks and controls include:-

- Setting the tone and culture for effective risk management and internal control systems;
- Ensuring risk management is embedded in all aspects of the Group’s daily business and operational activities and processes;
- Determining acceptable risk appetite; and
- Reviewing the adequacy and effectiveness of risk management and internal control systems to obtain reasonable assurance that risks have been kept within tolerable levels.

## Internal Control Framework

The Group has put in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability.

The EDs and Management, through their day-to-day involvement in the business operations and regular attendance at senior management level meetings with the business units, manage and monitor the Group’s financial performance, key business indicators, operational effectiveness and efficiency; and discuss and resolve significant business issues, and ensure compliance with applicable laws, regulations, rules, directives and guidelines. These senior management meetings serve as a two-way platform for the Board, through the EDs, to communicate and address significant matters in relation to the Group’s businesses and financial affairs and provide updates on significant changes in the business and the external environment which result in significant risks.

The Group’s internal control procedures also encompass a series of standard operating practice manuals and business process manuals, which serve as guidance for proper measures to be undertaken, and are subject to regular review, enhancement and improvement.

The ARC has, with the assistance of Management, reviewed the Group’s material controls, including financial, operational, information technology and compliance controls, and risk management systems.

### **Provision 9.2: Assurance from CEO and Executive Director**

The Board had received assurances from the CEO and the ED, who are responsible for the financial management of the Group that:

- the financial records have been properly maintained and the financial statements for FY2022 gave a true and fair view of the Group’s operations and finances; and
- the Group’s risk management and internal control systems, which addressed the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks, were operating effectively.

Based on the ERM framework and various controls established within the Group and the reviews conducted by Management, the internal auditors and the external auditor as part of their statutory audit, as well as the assurances from the CEO and the ED, the Board, with the concurrence of the ARC, is satisfied that the Group’s internal controls and risk management processes addressing material financial, operational, information technology and compliance risks are adequate and effective as at FY2022, to address the risks that the Group considers relevant and material to its business operations.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

**PRINCIPLE 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.**

### Provision 10.1: Roles, Authorities and Responsibilities of AC

#### Role of ARC

The Board is supported by the ARC which provides oversight of audit, financial, internal control and risk matters.

#### Authority of the ARC

The ARC has explicit authority to investigate any matter falling within its terms of reference, including full access to and co-operation from Management and the internal auditors, full discretion to invite anyone to attend its meetings, and has been given reasonable resources at its disposal, to enable it to discharge its functions properly. The external auditor also has unrestricted access to the ARC.

#### Terms of Reference

The ARC is regulated by its Terms of Reference and its principal functions are to:

- Review the audit plans of the internal and external auditors of the Group and the Company, and the internal auditor’s evaluation of the adequacy of the Group’s system of internal accounting controls and the assistance given by the Group’s and the Company’s management to the external and internal auditors;
- Review the Group’s and Company’s unaudited half-year and full year financial results, as well as the annual audited financial statements and the external auditor’s report thereon;
- Review the effectiveness of the Group’s and the Company’s material internal controls, including financial, operational, information technology and compliance controls and risk management;
- Meet with the internal and external auditors and Management in separate sessions to discuss any matters that these groups believe should be discussed privately with the ARC;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- Review the cost effectiveness, independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services provided by the external auditor;
- Recommend to the Board on the nomination of internal and external auditors, including reviewing their engagement terms and compensation;
- Review interested person transactions; and
- Oversee the establishment and operation of whistleblowing process.

#### Financial Reporting

The ARC reviewed the unaudited half-year and full year financial results and annual audited financial statements prior to presentation to the Board for approval so as to ensure the integrity of the financial statements and any announcements relating to the Group’s financial performance.

During the process of review, the ARC discussed with the Management and the external auditor on the significant issues that were brought to the ARC’s attention. Material issues which the external auditor assessed to be most significant in its audit of the financial statements for the year under review are highlighted in the Key Audit Matters section of the Independent Auditor’s Report.

# CORPORATE GOVERNANCE REPORT

## External Auditor

Ernst & Young LLP (“EY”) is the external auditor of the Company.

All the Company’s subsidiaries are also audited by EY and EY’s affiliates except for certain foreign subsidiaries. Nonetheless, the ARC and the Board had satisfied themselves that the appointment of different auditing firms for those foreign subsidiaries would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly, the Group is in compliance with Rule 712 and Rule 716 of the Listing Manual in relation to its external auditor.

Pursuant to the requirement in the Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current EY’s partner for the Company, Ms Tee Huey Yenn, was appointed in financial year ended 31 July 2020.

## Activities of the ARC

In FY2022, the ARC met two times to carry out the following activities:-

- a) Reviewed the ERM progress report;
- b) Reviewed with the external auditor, their audit plan, and audit findings;
- c) Reviewed the audited financial statements and the external auditor’s report thereon and presented them to the Board for approval;
- d) Assessed the independence, objectivity and performance of the external auditor and recommended their re-nomination to the Board;
- e) Reviewed, discussed and recommended the unaudited half-year and full year financial results of the Group and of the Company to be presented to the Board for approval;
- f) Reviewed the level of assistance given by the Group’s management to the auditors;
- g) Assessed the adequacy and effectiveness of the outsourced internal auditor and approved their appointment, engagement terms and audit plan; and
- h) Reviewed with the internal auditor their audit findings.

## Non-Audit Services

The ARC conducted a review of the aggregate amount of the fees paid to EY for FY2022, and the breakdown of the fees paid in total for audit and non-audit services. The ARC is satisfied that the value of the non-audit services performed by EY would not prejudice their independence and objectivity. The breakdown of the fees paid in respect of audit and non-audit services provided by EY are disclosed in Note 8 of the audited financial statements included in this Annual Report.

## Nomination of External Auditor

The ARC, having assessed EY’s approach to audit quality and transparency, concluded that they demonstrated appropriate qualifications and expertise and that the audit process was effective. The ARC has recommended to the Board that EY be re-appointed as the external auditor which the Board accepted the recommendation and has proposed a resolution (set out in the Notice of 44<sup>th</sup> AGM) to shareholders for their re-appointment.

## Whistle Blower Policy

The Company has a Whistle Blower Policy, as endorsed by the ARC, by which employees of the Group may report and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters. Details of the whistle-blowing protocols and investigation process have been made available to all employees. The policy serves to facilitate independent investigation of such matters and for appropriate follow-up action.

# CORPORATE GOVERNANCE REPORT

## **Provision 10.2: Composition of the AC**

As at FY2022 and currently, the ARC comprises three NEDs, all of whom including the Chairman are IDs. The members of the ARC are Messrs Daniel Soh Chung Hian (Chairman), Timothy Brooks Smith and Sandy Foo Fei Ying, who possess relevant accounting or related financial management expertise or experience.

The ARC is kept abreast by Management and external auditor on relevant changes to the accounting standards and issues which have direct impact on the Group's financial reporting and statements.

## **Provision 10.3: ARC Members being not former partner of the auditing firm**

None of the ARC members was a partner or director of the incumbent external auditor, EY, within the previous two years, and neither do any of them have any financial interest in EY.

## **Provision 10.4: Internal Audit**

The Company's internal audit function, which has been outsourced to an independent professional firm, assists the ARC and the Board in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

The ARC, having considered, amongst others, the reputation and track record of Foo Kon Tan Advisory Services Pte Ltd ("FKT") and the qualifications, experience and availability of resources and independence of the team at FKT, is satisfied that the appointment of FKT as internal auditors is appropriate.

The internal audit is guided by FKT's Internal Audit Methodology which is aligned to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

FKT reports directly and independently to the ARC, with the Corporate Controller being the administrative coordinator. It has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

FKT adopts a risk-based approach and prepare the audit strategy and plan based on the risk profiles of the business units of the Group. The internal audit plan is presented to the ARC for approval prior to commencement of the audit work.

## **Provision 10.5: Annual Meeting with Auditors**

In FY2022, the ARC met once with EY without the presence of Management.

The ARC was assured that adequate cooperation and unrestricted access were extended to FKT. Hence, separate meeting with FKT without the presence of Management was deemed unnecessary.

## **SHAREHOLDER RIGHTS AND ENGAGEMENTS**

### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

***PRINCIPLE 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

#### **Provision 11.1: Participation and voting at general meetings**

The Company adopts the principle that all shareholders should be treated fairly and equitably, so that they can exercise their ownership rights and have the opportunity to communicate their views on matters affecting the Company.

Shareholders are notified of the Company's general meetings through notices contained in its annual reports or circulars and the announcements made to SGX-ST via SGXNET. Shareholders can access the electronic copy of the annual report via the SGX-ST as well as the Company's website, and printed copies are available upon request.

# CORPORATE GOVERNANCE REPORT

Notices of general meetings together with the relevant document (if any) are made available to shareholders at least 14 or 21 clear calendar days for ordinary resolutions and special resolutions respectively, before the scheduled date of meetings.

The Constitution of the Company permits shareholders who are unable to attend the general meetings to appoint such number of proxies as stipulated in the proxy form, to vote on his/her/its behalf at the meetings.

A member who is a relevant intermediary which provides nominee or custodial services is entitled to appoint more than two proxies to attend, speak and vote at the meetings. Therefore, shareholders who hold shares through such intermediaries, can attend and participate in general meetings, as proxy.

An investor who holds shares under the Central Provident Fund Investment Scheme (“CPF Investor”) and/or the Supplementary Retirement Scheme (“SRS Investor”) may attend and cast his/her votes(s) at the meetings in person. However, if he or she is unable to attend the meetings but would like to vote, he or she may inform his or her CPF and/or SRS Approved Nominees to appoint the Chairman of the general meetings to act as his or her proxy, in which case, such CPF or SRS Investor shall be precluded from attending the meetings.

The Company conducts electronic poll voting for all resolutions proposed at its general meetings. Voting rules and procedures are explained at the beginning of the meetings and independent scrutineers are also present to scrutinise the voting process. The results of all votes cast for and against in respect of each resolution are displayed live on-screen at the meetings and also announced after the meetings to SGX-ST via the SGXNET.

Due to the COVID-19 situation in Singapore, the 43<sup>rd</sup> AGM was held in a fully virtual format, for the safety and well-being of shareholders. With the return to normalcy following the easing of safe management measures, the Company will resume conduct of its forthcoming 44<sup>th</sup> AGM in physical face-to-face mode practised pre-COVID-19. Shareholders may refer to the Letter to Shareholders dated 27 October 2022 and the Notice of the 44<sup>th</sup> AGM for further information.

## **Provision 11.2: Separate Resolutions for separate Issues**

Issues or matters requiring shareholders' approval are tabled at the general meetings of the Company in the form of separate and distinct resolutions. This is to enable the shareholders to have full understanding and evaluation of issues or matters involved.

## **Provision 11.3: Attendance of Directors and external auditor at general meetings**

Directors are required to attend the general meetings of the Company, unless any Director has a good reason not to. The external auditor is also present at the annual general meetings to assist the Directors in addressing shareholders' queries about the audited financial statements.

At the annual general meeting held in 2021, all Directors and the external auditor were present physically/virtually.

## **Provision 11.4: Absentia voting at general meetings**

The Company did not provide in its Constitution to allow voting in absentia, as it felt that this would not serve the interest of shareholders, as such methods require careful study to ensure the integrity of information and authentication of the identity of shareholders.

## **Provision 11.5: Publication of minutes of general meetings**

Minutes of the general meetings recording the substantive business transacted and relevant comments made and questions raised by shareholders relating to the agenda and associated responses from the Board and Management, are available on the Company's website.

# CORPORATE GOVERNANCE REPORT

## Provision 11.6: Dividend Policy

The Company's dividend policy aims to balance yield with capital growth, to build shareholders' values over the long term. Therefore, the Board adopts a flexible approach in deciding on the declaration of dividends, whilst balancing with the Company's needs to retain earnings in supporting growth prospects. The form, frequency and amount of dividends the Board may recommend or declare, will depend on various factors, including profitability of the Company and the Group, cash flow and retained earnings, actual and projected business and financial performance, working capital requirements and general financing conditions, operating environment and general business conditions, projected levels of capital expenditure and expansion plans, investment plans, restrictions on the payment of dividends imposed on the Company, and any other factors the Board may, in its absolute discretion, deem appropriate.

The Company communicates declaration of dividend to shareholders via its financial results announcements that are made to SGX-ST via the SGXNet.

The Board did not recommend the payment of a final dividend for FY2022 as the Group reported a loss.

## ENGAGEMENT WITH SHAREHOLDERS

**PRINCIPLE 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

### Provision 12.1: Disclosure of Timely Information

The Board recognises the importance of engaging in regular, effective and fair communications with its shareholders. In this regard, it strictly adheres to the disclosure requirements set out in the Listing Manual, to ensure that material information is made publicly available on a timely and non-selective basis, to all shareholders.

In disclosing information to shareholders, the Company aims to provide a balanced and meaningful description. Shareholders are kept informed of all major developments and performance of the Group through timely half-year and full year financial results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNET, press releases, annual reports and circulars to shareholders.

Additionally, the general meetings are the principal forum for the Board to have face-to-face dialogue with the shareholders, to gather their views or inputs, as well as to address any concerns they may have. As such, the Board always encourages shareholders' active participation at such meetings, by giving them adequate opportunity and time to air their views and pose questions, regarding the Group's business activities and performance.

The Company's website also serves as a platform for shareholders to gain access to the Group's businesses, public announcements and governance-related information.

### Provisions 12.2 and 12.3: Investor Relations Policy and Protocols

The Company's investor relations policy outlines the general principles and communication protocols to observe, when disclosing material information to its shareholders or the investment community.

The EDs are available to attend to views from shareholders and the investment community, who wish to better understand the corporate developments or financial performance of the Group.

A dedicated email address is available on the Company's website for shareholders to reach out to the investor relations contact.



# CORPORATE GOVERNANCE REPORT

## MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

**PRINCIPLE 13:** *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

**Provision 13.1: Identification and engagement with material stakeholders**

**Provision 13.2: Strategy and key areas of focus on management of stakeholders**

The Company adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value.

The Company has identified six key stakeholders groups, namely: the shareholders, customers, employees and outsourced workers, contractors and suppliers, regulators and local community.

The Sustainability Report included in this Annual Report, provides the Company's approach in identifying material stakeholders, as well as addressing stakeholders' concerns and methods of engagement.

The Sustainability Report also sets out the Group's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2022.

**Provision 13.3: Corporate website to engage with stakeholders**

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at [www.sunright.com](http://www.sunright.com) through which stakeholders are able to access up-to-date information on the Group and communicate with the Company.

## OTHER CORPORATE GOVERNANCE MATTERS

### Dealing in Securities

The Company has in place a policy on dealings in the Company's securities by its Directors and relevant officers of the Company and its subsidiaries. Under the policy, they are prohibited from dealing in the Company's securities during the period commencing one (1) month before announcement of the Group's half-year and full year results and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. In addition, the Directors and officers are advised not to trade in the Company's securities on short-term considerations and to observe insider trading laws at all times.

### Interested Person Transactions

In FY2022, the Group did not enter into any transaction that would be regarded as an interested person transaction.



# FINANCIAL STATEMENTS

**54**

Directors' Statement

**57**

Independent Auditor's Report

**61**

Consolidated Statement of Profit or Loss and  
Other Comprehensive Income

**62**

Statements of Financial Position

**63**

Statements of Changes in Equity

**65**

Consolidated Cash Flow Statement

**66**

Notes to the Financial Statements

**117**

Shareholders' Information

**119**

Notice of Annual General Meeting

**122**

Additional Information on Directors  
Seeking Re-election at the AGM

Proxy Form

# DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 July 2022.

For the purpose of the disclosures in this statement as required by the Companies Act 1967 (the "Act"), KESM Industries Berhad ("KESMI") and its subsidiaries are not considered as subsidiaries of the Company and have therefore been treated as associates of the Group by virtue of the Company's shareholding of 48.41% in KESMI.

However, in other sections within the financial statements, for the purpose of the disclosures as required by the Singapore Financial Reporting Standards (International) ("SFRS(I)"), KESMI and its subsidiaries are considered to be subsidiaries of the Group, following the requirement of SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1 - 27 *Separate Financial Statements*.

## Opinions of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

The directors of the Company in office at the date of this statement are:

Samuel Lim Syn Soo  
Kenneth Tan Teoh Khoon  
Timothy Brooks Smith  
Daniel Soh Chung Hian  
Sandy Foo Fei Ying

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of the Company or any other body corporate.

# DIRECTORS' STATEMENT

## Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Act, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors	Direct interest	
	At the beginning of financial year	At the end of financial year
<b>Ordinary shares of the Company</b>		
Samuel Lim Syn Soo	67,466,666	67,466,666
Kenneth Tan Teoh Khoon	2,130,000	2,130,000

By virtue of his interests in Sunright Limited, Mr Samuel Lim Syn Soo is deemed to have an interest in the shares of the subsidiaries of Sunright Limited (which excludes KESM Industries Berhad and its subsidiaries which, as explained in paragraphs two and three of this statement, are treated as associates for the purpose of this disclosure) in the proportion to its interest in the subsidiaries.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

## Options

The Company does not have an employee share option plan.

## Audit and Risk Committee

The Audit and Risk Committee ("ARC") carried out its functions in accordance with Section 201B(5) of the Act, the Code of Corporate Governance 2018 and the Singapore Exchange Securities Trading Limited Listing Manual. These functions include a review of the financial statements of the Group and of the Company for the financial year and the independent auditor's report thereon, a review of the nature and extent of the non-audit services provided by the firm acting as the auditor and nomination for appointment of auditor. Full details of the nature and extent of the functions performed by the ARC are disclosed in the Corporate Governance Report.

# DIRECTORS' STATEMENT

## **Auditor**

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Samuel Lim Syn Soo  
Director

Kenneth Tan Teoh Khoon  
Director

Singapore  
28 September 2022

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2022

## Independent auditor's report to the members of Sunright Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the accompanying financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 July 2022, the statements of changes in equity of the Group and the Company, and the consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 July 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

#### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Impairment assessment of property, plant and equipment

As at 31 July 2022, the carrying amount of the Group's property, plant and equipment was \$56,597,000, which represented 34% of the Group's total assets.

The carrying amount of the net assets of the Group exceeded its market capitalisation, indicating that the carrying amount of the Group's property, plant and equipment may be impaired. Accordingly, the Group is required to perform impairment assessment by comparing the carrying amount of its property, plant and equipment with its recoverable amount. As disclosed in Note 3, management determined the recoverable amount of the property, plant and equipment based on the higher of its value in use calculations and fair value less costs to sell.

In determining the value in use, management is required to apply judgements and make assumptions on estimates supporting underlying projected cash flows, taking into account its operations and current market conditions which has been impacted by COVID-19 pandemic. In determining the recoverable amount using the fair value less costs to sell method, management has engaged external valuers to determine the fair value of its property, plant and equipment at the reporting date. This area was significant to our audit due to the size of the carrying amount of the property, plant and equipment. Accordingly, we consider this to be a key audit matter.



# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2022

## **Impairment assessment of property, plant and equipment (cont'd)**

We assessed the methodology of the value in use calculations used by management. The key estimates include the revenue growth rates, related production costs and discount rates. We reviewed the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. We performed sensitivity analysis on management's key estimates, after taking into consideration current business environment. We involved our internal valuation specialists in assessing the reasonableness of the discount rates and performed sensitivity analysis after considering the current market and economic conditions.

For fair value less costs to sell method, we obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the property, plant and equipment and assessed whether such methodology is consistent with those used in the industry. We considered the objectivity, independence and expertise of the independent valuers and we discussed with the independent valuers to obtain an understanding of the inputs used to the valuation models included, amongst others, the recent market transaction and quotation from suppliers and assessed the reasonableness by corroborating to available market data.

We reviewed the adequacy of the disclosures made on Note 3 and Note 10 to the financial statements.

## **Recognition of deferred tax assets**

As at 31 July 2022, the Group recognised deferred tax assets of \$1,378,000, which mainly relate to deductible temporary differences. The Group recognised deferred tax assets to the extent that it is probable that taxable profits will be available in the future to recover these deferred tax assets.

The recognition of deferred tax asset is a complex process which involves management exercising judgement and making estimates about forecasts of future taxable profits, including expectations for future sales as well as future overall market and economic conditions. Accordingly, we have identified this to be a key audit matter.

We compared the timing of the reversal of the deductible temporary differences against the reversal of the taxable temporary differences. We also compared the deductible temporary differences against the projected taxable profit. The future taxable profits have been determined based on profit forecasts. Management used assumptions in respect of future market outlook, revenue growth and operating expenses. We evaluated these assumptions by comparing them to historical data as well as recent trends and market outlook. We involved our internal tax specialist in reviewing management's computation of deferred tax assets. We considered supporting evidences such as relevant tax legislation, recent tax filings and correspondence with the tax authorities to corroborate our understanding on the computation of current year taxable profit. We reviewed the adequacy of the Group's disclosures on deferred tax assets in Note 20 to the financial statements.

## **Impairment assessment of investment in subsidiaries**

As at 31 July 2022, the carrying amount of the Company's investment in subsidiaries was \$12,112,000 (2021: \$12,112,000), which represented 35% of the Company's total assets. Management identified investments in certain loss-making subsidiaries for impairment assessment. We considered the audit of management's impairment assessment of investments in subsidiaries to be a key audit matter due to the size of the carrying amount of the investment and also because the assessment process involved significant management's estimate associated with current market and economic conditions.

As disclosed in Note 3, management determined the recoverable amount of the investment in subsidiaries based on the higher of its value in use calculations and fair value less costs to sell. For the value in use calculations and fair value less costs to sell, we performed similar procedures as described in key audit matter on "Impairment assessment of property, plant and equipment". We involved our internal valuation specialist to assess the reasonableness of the terminal growth rate used in value in use calculation by comparing it to external economic data such as consumer price index growth rate.

We also assessed the adequacy of disclosures made on the impairment assessment of investment in subsidiaries in Note 12 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2022

## Other information

Management is responsible for other information. The other information comprises the information in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2022

## Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tee Huey Yenn.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
28 September 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2022

(In Singapore Dollars)

	Note	2022 \$'000	2021 \$'000
<b>Revenue</b>	4	100,718	111,396
<b>Other items of income</b>			
Interest income	5	1,307	1,451
Dividend income		125	65
Other income		2,429	5,919
<b>Items of expenses</b>			
Raw materials and consumables used		(23,966)	(28,989)
Changes in inventories of finished goods and work-in-progress		2,333	(1,680)
Employee benefits expense	6	(41,320)	(41,453)
Depreciation of property, plant and equipment	10	(18,137)	(20,920)
Finance costs	7	(344)	(453)
Other expenses		(25,949)	(21,576)
<b>(Loss)/profit before tax</b>	8	(2,804)	3,760
Income tax expense	20	(897)	(1,251)
<b>(Loss)/profit, net of tax</b>		(3,701)	2,509
<b>Other comprehensive income:</b>			
<b>Item that will not be reclassified to profit or loss</b>			
Remeasurement gain arising from net defined benefit liabilities, net of tax		39	128
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences reclassified to profit or loss on voluntary liquidation of a subsidiary		-	(117)
Foreign currency translation loss		(3,602)	(218)
<b>Other comprehensive income for the year, net of tax</b>		(3,563)	(207)
<b>Total comprehensive income for the year</b>		(7,264)	2,302
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(3,976)	1,314
Non-controlling interests	12(b)	275	1,195
		(3,701)	2,509
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(5,735)	1,190
Non-controlling interests		(1,529)	1,112
		(7,264)	2,302
(Loss)/earnings per share - cents	9	(3.2)	1.1

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 July 2022

(In Singapore Dollars)

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	56,597	43,142	195	421
Investment in subsidiaries	12	–	–	12,112	12,112
Deferred tax assets	20	1,378	1,100	–	–
Loans to a subsidiary	13	–	–	–	144
Other receivables	15	497	568	–	–
		<u>58,472</u>	<u>44,810</u>	<u>12,307</u>	<u>12,677</u>
<b>Current assets</b>					
Investment securities	25(b)	4,204	4,924	360	384
Inventories	14	3,893	4,627	–	–
Prepayments		1,762	851	118	104
Tax recoverables		2,032	1,269	–	–
Trade and other receivables	15	19,944	19,207	1,294	940
Loans to a subsidiary	13	–	–	144	306
Cash and short-term deposits	16	78,304	97,873	20,180	20,792
		<u>110,139</u>	<u>128,751</u>	<u>22,096</u>	<u>22,526</u>
<b>Total assets</b>		<u>168,611</u>	<u>173,561</u>	<u>34,403</u>	<u>35,203</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	17	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		32,184	36,489	(3,498)	(3,200)
Other reserves	18	10,070	11,868	155	155
		<u>77,981</u>	<u>84,084</u>	<u>32,384</u>	<u>32,682</u>
Non-controlling interests	12(b)	58,111	60,173	–	–
<b>Total equity</b>		<u>136,092</u>	<u>144,257</u>	<u>32,384</u>	<u>32,682</u>
<b>Non-current liabilities</b>					
Loans and borrowings	19	8,019	5,091	531	741
Defined benefit liabilities	22	1,471	1,417	–	–
Deferred tax liabilities	20	1,642	809	–	–
		<u>11,132</u>	<u>7,317</u>	<u>531</u>	<u>741</u>
<b>Current liabilities</b>					
Trade and other payables	21	16,021	17,202	1,038	947
Contract liabilities	4(b)	123	440	–	–
Loans and borrowings	19	5,099	4,240	353	784
Provisions		36	34	–	–
Income tax payable		108	71	97	49
		<u>21,387</u>	<u>21,987</u>	<u>1,488</u>	<u>1,780</u>
<b>Total liabilities</b>		<u>32,519</u>	<u>29,304</u>	<u>2,019</u>	<u>2,521</u>
<b>Total equity and liabilities</b>		<u>168,611</u>	<u>173,561</u>	<u>34,403</u>	<u>35,203</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2022

(In Singapore Dollars)

Group	Note	Total equity attributable to owners of the Company				Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Other reserves, total	Non-controlling interests
		Equity, total	of the Company	Share capital	Retained earnings					
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance at 1 August 2020		142,975	83,262	35,727	35,415	763	10,497	860	12,120	59,713
Profit for the year		2,509	1,314	-	1,314	-	-	-	-	1,195
Other comprehensive income for the year, net of tax		(207)	(124)	-	128	(252)	-	-	(252)	(83)
Total comprehensive income for the year		2,302	1,190	-	1,442	(252)	-	-	(252)	1,112
Dividends on ordinary shares	29	(368)	(368)	-	(368)	-	-	-	-	-
Dividends paid to non-controlling interests		(652)	-	-	-	-	-	-	-	(652)
As at 31 July 2021		144,257	84,084	35,727	36,489	511	10,497	860	11,868	60,173
Opening balance at 1 August 2021		144,257	84,084	35,727	36,489	511	10,497	860	11,868	60,173
Loss for the year		(3,701)	(3,976)	-	(3,976)	-	-	-	-	275
Other comprehensive income for the year, net of tax		(3,563)	(1,759)	-	39	(1,798)	-	-	(1,798)	(1,804)
Total comprehensive income for the year		(7,264)	(5,735)	-	(3,937)	(1,798)	-	-	(1,798)	(1,529)
Dividends on ordinary shares	29	(368)	(368)	-	(368)	-	-	-	-	-
Dividends paid to non-controlling interests		(533)	-	-	-	-	-	-	-	(533)
As at 31 July 2022		136,092	77,981	35,727	32,184	(1,287)	10,497	860	10,070	58,111

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2022

(In Singapore Dollars)

Company	Note	Total equity \$'000	Share capital \$'000	Accumulated losses \$'000	Capital reserve \$'000
Opening balance at 1 August 2020		31,799	35,727	(4,083)	155
Profit for the year		1,251	–	1,251	–
Total comprehensive income for the year		1,251	–	1,251	–
Dividends on ordinary shares	29	(368)	–	(368)	–
As at 31 July 2021		32,682	35,727	(3,200)	155
Opening balance at 1 August 2021		32,682	35,727	(3,200)	155
Profit for the year		70	–	70	–
Total comprehensive income for the year		70	–	70	–
Dividends on ordinary shares	29	(368)	–	(368)	–
As at 31 July 2022		32,384	35,727	(3,498)	155

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 July 2022

(In Singapore Dollars)

	Note	2022 \$'000	2021 \$'000
<b>Operating activities</b>			
(Loss)/profit before tax		(2,804)	3,760
<u>Adjustments for:</u>			
Net gain on disposal of property, plant and equipment	8	(783)	(2,565)
Depreciation of property, plant and equipment	10	18,137	20,920
Net write-down of inventories	14	849	291
Net (reversal of impairment)/impairment loss on trade receivables	15	(35)	106
Dividend income		(125)	(65)
Net fair value gain on investment securities	8	(438)	(1,157)
Finance costs	7	344	453
Interest income	5	(1,307)	(1,451)
Net unrealised exchange (gain)/loss		(54)	40
Waiver of a bank loan*		-	(230)
<b>Operating cash flows before changes in working capital</b>		13,784	20,102
<u>Changes in working capital:</u>			
(Increase)/decrease in inventories		(115)	514
Decrease/(increase) in prepayments and receivables		1,671	(2,959)
Decrease in payables and contract liabilities		(5,005)	(2,841)
<b>Cash flows from operations</b>		10,335	14,816
Income taxes paid		(1,085)	(2,441)
Interest paid		(300)	(354)
Interest received		581	1,557
<b>Net cash flows from operating activities</b>		9,531	13,578
<b>Investing activities</b>			
Decrease/(increase) in short-term deposits with maturity more than three months		30,113	(3,956)
Dividend income		125	65
Purchase of property, plant and equipment		(29,141)	(14,100)
Proceeds from disposal of property, plant and equipment		773	2,541
Purchase of investment securities		(148)	(937)
Proceeds from disposal of investment securities		1,145	302
<b>Net cash flows from/(used in) investing activities</b>		2,867	(16,085)
<b>Financing activities</b>			
Proceeds from bank loans		7,248	11,037
Repayment of bank loans		(4,024)	(13,458)
Repayment of principal portion of lease liabilities		(1,915)	(2,622)
Dividends paid on ordinary shares		(368)	(368)
Dividends paid to non-controlling interests		(533)	(652)
<b>Net cash flows from/(used in) financing activities</b>		408	(6,063)
<b>Net increase/(decrease) in cash and cash equivalents</b>		12,806	(8,570)
Effect of exchange rate changes on cash and cash equivalents		(2,262)	(847)
Cash and cash equivalents at beginning of the year		31,438	40,855
<b>Cash and cash equivalents at end of the year</b>	16	41,982	31,438

\* This pertained to the waiver of a bank loan in one of the subsidiaries, as part of COVID-19 related government reliefs.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 1. Corporate information

Sunright Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at Block 1093 Lower Delta Road #02-01/08, Singapore 169204.

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “\$”) and all values are rounded to the nearest thousand (“\$’000”) except when otherwise indicated.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those previous financial year except in the current year, the Group and the Company adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37: <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation and business combinations

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company except for KES Systems & Service (Shanghai) Co., Ltd which has accounting year ending 31 December as required by the laws of its country of incorporation. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiaries is shown in Note 12.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the owner of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

#### (b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.6 Functional and foreign currency

The consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

#### (b) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their income and expenses are translated at the average exchange rates for the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

### 2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Right-of-use assets are included within the same line item as that within corresponding underlying assets would be presented if they were owned and are accounted for in accordance with Note 2.18. Subsequent to recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation, except for right-of-use assets which is depreciated in accordance with Note 2.18, is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	-	3 to 20 years
Leasehold land	-	60 to 99 years
Renovation	-	5 years
Plant, machinery and test equipment	-	2 to 5 years
Motor vehicles	-	5 years
Office equipment, furniture and fittings and computers	-	3 to 10 years

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Property, plant and equipment (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Certain assets are stated at cost and are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

### 2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

### 2.9 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (a) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

##### Subsequent measurement

###### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

###### Investments in equity instruments

Financial assets at fair value through profit or loss ("FVPL") include financial assets held for trading. Financial assets held for trading comprise investment securities and financial assets acquired principally for the purpose of selling or repurchasing them in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at FVPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVPL are recognised separately in profit or loss as part of other expenses or other income.

###### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

##### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Financial instruments (cont'd)

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

##### Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a ‘12-month ECL’). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a ‘lifetime ECL’).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and deposits with banks, that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value, with a maturity of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (a) raw materials - purchase costs on a weighted average basis;
- (b) consumables - purchase costs on a first-in first-out basis; and
- (c) work-in-progress and finished goods - costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.17 Employee benefits

#### (a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Employee benefits (cont'd)

#### (b) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (“CPF”) scheme in Singapore, a defined contribution pension scheme. Companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (c) *Defined benefit plan*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- (i) Service costs;
- (ii) Net interest on the net defined benefit liability or asset; and
- (iii) Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.18 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (a) As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Depreciation of right-of-use assets is computed on a straight-line basis over the estimated useful lives or lease term of assets as follows:

Buildings	-	3 to 5 years
Leasehold land	-	60 to 99 years
Plant, machinery and test equipment	-	2 to 5 years
Motor vehicles	-	5 years
Office equipment, furniture and fittings and computers	-	3 to 5 years

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8. The Group's right-of-use assets are disclosed in Note 11.

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.18 Leases (cont'd)

#### (a) As a lessee (cont'd)

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### (b) As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19.

### 2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### (a) Sale of goods

Revenue is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

Revenue is measured at the consideration promised in the contract with customers, less discounts and rebates.

A contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities are recognised as revenue as the Group performs under the contract.

#### (b) Rendering of services

Revenue is recognised when the performance obligation is satisfied at a point in time, that is upon the performance of services to the customers, which generally coincides with their acceptance.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Revenue (cont'd)

#### (c) *Judgement and methods used in estimating revenue*

In estimating the variable consideration, the Group uses the expected value method to predict the volume and early payment discounts, and product returns, by the different product types based on historical experience with the customers.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For volume and early payment discounts, management determines that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue. For product returns, management considers its historical experience and evidence from other similar contracts to develop an estimate of variable consideration for expected returns using the expected value method.

#### (d) *Interest income*

Interest income is recognised using the effective interest method.

#### (e) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

#### (f) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms.

### 2.20 Taxes

#### (a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- (i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Taxes (cont'd)

#### (b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- (i) where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.21 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Derivative financial instruments (cont'd)

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### 2.22 Government grant

Government grant is recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an income, the grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in "Other income" line item in profit or loss.

### 2.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

#### ***De facto control over investee***

In assessing whether the Group has control over an investee where the Group holds less than a majority of voting rights, the Group considers factors such as the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders as well as any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities of the investee, including the voting patterns at the investee's previous shareholders' meetings.

The Group concluded that it has *de facto* control over KESM Industries Berhad, which was consequently accounted for as a subsidiary company.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) *Useful lives of plant, machinery and test equipment*

The cost of plant, machinery and test equipment is depreciated on a straight-line basis over the assets estimated economic useful lives. Management estimates the useful lives of these plant, machinery and test equipment to be within 2 to 5 years. These are common life expectancies applied in the semiconductor industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the end of the reporting period is disclosed in Note 10.

#### (b) *Deferred tax assets*

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future to recover these deferred tax assets. Significant management judgement and estimation are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, including expectations for future sales as well as future overall market and economic conditions.

The carrying amount of the Group's deferred tax assets at the end of the reporting period was \$1,378,000 (2021: \$1,100,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 3. Significant accounting estimates and judgements (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (c) Impairment of investment in subsidiaries

The recoverable amount of investment in subsidiaries is the higher of its value in use and fair value less costs to sell. Management applied significant judgement in assessing value in use, which involve discounted cash flow model. The discounted cash flow model is based on, amongst other variables, the discount rate used for the discounted cash flow model, long-term growth rate used for extrapolation purposes, as well as the projected revenue. Management believes that the aforesaid variables are unlikely to materially result in the carrying value of the subsidiaries exceeding its recoverable amounts.

The carrying amount of the Company's investment in subsidiaries at the end of the reporting period was \$12,112,000 (2021: \$12,112,000).

#### (d) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If such indicators exist, the recoverable amount (i.e. higher of its value in use and fair value less costs to sell) of the assets is estimated to determine the amount of impairment loss.

When recoverable amounts are determined based on value in use calculations, discounted cash flow model is used. In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. Management believes that the aforesaid variables are unlikely to materially result in the carrying amount of property, plant and equipment exceeding their recoverable amounts. In determining the recoverable amount using the fair value less costs to sell method, management has engaged external valuers to determine the fair value of its property, plant and equipment at the reporting date. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 10.

## 4. Revenue

### (a) Disaggregation of revenue

	Group	
	2022 \$'000	2021 \$'000
<b>Major type of goods and services</b>		
Sale of goods	25,137	40,572
Rendering of services	75,581	70,824
	<u>100,718</u>	<u>111,396</u>
<b>Primary geographical markets</b>		
Singapore	1,653	3,322
Malaysia	65,028	69,351
Mainland China	23,592	22,365
Other Asian markets*	2,717	4,343
United States	4,597	6,527
Others	3,131	5,488
	<u>100,718</u>	<u>111,396</u>

\* Classified under "Other Asian markets" are Taiwan, Philippines, Thailand and Vietnam.

The goods and services are transferred to the customers at a point in time.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 4. Revenue (cont'd)

### (b) Contract liabilities

	Group	
	2022	2021
	\$'000	\$'000
Contract liabilities	123	440

Contract liabilities primarily relate to the Group's obligations to transfer goods and services to customers for which the Group has received advances from customers for sale of goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract, usually upon delivery of the goods and completion of services to customers.

Significant changes in contract liabilities are explained as follows:

	Group	
	2022	2021
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	440	482

## 5. Interest income

	Group	
	2022	2021
	\$'000	\$'000
Interest income from:		
- Deposits with licensed banks	1,307	1,451

## 6. Employee benefits expense

	Note	Group	
		2022	2021
		\$'000	\$'000
Employee benefits expense (including directors):			
- Wages, salaries and bonuses		34,885	35,388
- Contributions to defined contribution plans		1,605	1,578
- Defined benefit obligations	22	94	84
- Other benefits		4,736	4,403
		41,320	41,453

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 7. Finance costs

	Note	Group	
		2022	2021
		\$'000	\$'000
Interest expense on:			
- Bank loans		164	216
- Lease liabilities	11	130	202
- Defined benefit obligations	22	50	35
		344	453

## 8. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group	
		2022	2021
		\$'000	\$'000
Audit fees paid to:			
- Auditors of the Company		191	196
- Other auditors		209	208
Non-audit fees paid to:			
- Auditors of the Company		75	84
- Other auditors		53	61
Net foreign exchange (gain)/loss		(124)	100
Net write-down of inventories	14	849	291
Net (reversal of impairment)/impairment loss on trade receivables	15	(35)	106
Net gain on disposal of property, plant and equipment		(783)	(2,565)
Net fair value gain on investment securities		(438)	(1,157)
Other professional fees		678	588
Repairs and maintenance		8,602	6,477
Travelling and entertainment		140	64
Utilities		10,266	9,614
Rental expenses		328	163
COVID-19 related government reliefs		(97)	(871)
Directors' remuneration:			
- Directors of the Company			
• Fees		176	202
• Salaries and bonuses		1,162	1,164
• CPF and other defined contributions		18	17
- Directors of subsidiaries			
• Fees		144	149
• Salaries and bonuses		477	463

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 9. (Loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the (loss)/profit and share data used in the computation of basic (loss)/earnings per share for the years ended 31 July:

	Group	
	2022	2021
	\$'000	\$'000
(Loss)/profit attributable to owners of the Company	(3,976)	1,314
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	122,806	122,806
	Cents	Cents
Basic (loss)/earnings per share	(3.2)	1.1

The Group has no potential ordinary shares in issue at the end of reporting date and therefore diluted (loss)/earnings per share has not been presented.

There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 10. Property, plant and equipment

Group	Buildings \$'000	Freehold land and leasehold land <sup>^</sup> \$'000	Renovation* \$'000	Plant, machinery and test equipment* \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings and computers* \$'000	Total \$'000
<b>Cost</b>							
At 1 August 2020	20,709	2,010	12,215	262,081	2,021	7,268	306,304
Additions	2,131	860	236	13,258	–	453	16,938
Disposals	(308)	–	(31)	(13,186)	–	(334)	(13,859)
Modifications	(604)	–	–	–	–	–	(604)
Exchange differences	273	(25)	597	322	5	46	1,218
Opening balance at 31 July 2021	22,201	2,845	13,017	262,475	2,026	7,433	309,997
Additions	1,670	–	228	30,030	–	334	32,262
Disposals	(1,228)	–	–	(5,188)	–	(86)	(6,502)
Exchange differences	(814)	(92)	(301)	(8,125)	(30)	(114)	(9,476)
At 31 July 2022	21,829	2,753	12,944	279,192	1,996	7,567	326,281

<sup>^</sup> Included freehold land of a net carrying amount of \$344,000 (2021: \$357,000), after considering the effect of translation.

\* Included in the Group's 'Renovation', 'Plant, machinery and test equipment', and 'Office equipment, furniture and fittings and computers' of \$nil (2021: \$128,000), \$23,290,000 (2021: \$2,943,000) and \$55,000 (2021: \$123,000) respectively, were not depreciated as they were not ready for use.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 10. Property, plant and equipment (cont'd)

Group	Buildings \$'000	Freehold land and leasehold land \$'000	Renovation \$'000	Plant, machinery and test equipment \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings and computers \$'000	Total \$'000
<b>Accumulated depreciation</b>							
At 1 August 2020	16,056	576	10,277	224,959	1,228	6,181	259,277
Depreciation charge	1,970	35	769	17,347	357	442	20,920
Disposals	(300)	–	(31)	(13,171)	–	(322)	(13,824)
Modifications	(188)	–	–	–	–	–	(188)
Exchange differences	172	(11)	477	(5)	1	36	670
At 31 July 2021	17,710	600	11,492	229,130	1,586	6,337	266,855
Depreciation charge	1,697	38	722	15,016	279	385	18,137
Disposals	(1,228)	–	–	(5,174)	–	(85)	(6,487)
Exchange differences	(697)	(7)	16	(8,011)	(25)	(97)	(8,821)
At 31 July 2022	17,482	631	12,230	230,961	1,840	6,540	269,684
<b>Net carrying amount</b>							
At 31 July 2021	4,491	2,245	1,525	33,345	440	1,096	43,142
At 31 July 2022	4,347	2,122	714	48,231	156	1,027	56,597

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 10. Property, plant and equipment (cont'd)

Company	Renovation \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings and computers \$'000	Total \$'000
<b>Cost</b>				
At 1 August 2020	47	1,201	850	2,098
Additions	–	–	72	72
At 31 July 2021	47	1,201	922	2,170
Additions	–	–	50	50
At 31 July 2022	47	1,201	972	2,220
<b>Accumulated depreciation</b>				
At 1 August 2020	47	652	680	1,379
Depreciation charge	–	240	130	370
At 31 July 2021	47	892	810	1,749
Depreciation charge	–	194	82	276
At 31 July 2022	47	1,086	892	2,025
<b>Net carrying amount</b>				
At 31 July 2021	–	309	112	421
At 31 July 2022	–	115	80	195

### (a) Additions

Additions of property, plant and equipment during the financial year were made by the following means:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash payments	29,141	14,100	50	72
Lease liabilities	2,674	553	–	–
Other payables	447	2,285	–	–
	32,262	16,938	50	72

- (b) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 11. Leases

### As lessee

#### Buildings

The Group has lease contracts for offices and factories used in its operations, and accommodations for workers. These leases have contract terms of 1 to 5 years, and do not contain variable lease payments. The Group's obligation under its leases are secured by the lessor's title to the leased assets.

#### Leasehold land

The Group has made upfront payments to secure the right-of-use assets of 60-99 years leasehold land, which is used for production purposes. There are no externally imposed covenant on these lease arrangements.

#### Machinery and test equipment, Motor vehicles, and Office equipment, furniture and fittings and computers

These lease arrangements prohibit the Group and the Company from subleasing to third parties.

#### Short-term leases and leases of low-value assets

The Group has certain leases of properties with lease terms of 12 months or less and leases of office equipment with low value. The Company also has certain leases of office spaces with lease terms of 12 months or less. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

### (a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets classified within 'Property, plant and equipment' and the movements during the year:

Group	Buildings \$'000	Leasehold land \$'000	Plant, machinery and test equipment \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings and computers \$'000	Total \$'000
At 1 August 2020	4,738	1,053	1,758	566	229	8,344
Additions during the year	553	860	–	–	–	1,413
Modifications during the year	(416)	–	–	–	–	(416)
Depreciation expenses	(1,623)	(35)	(359)	(219)	(75)	(2,311)
Transfer out upon lease maturity	–	–	(952)	(38)	–	(990)
Foreign exchange movement	86	(13)	2	–	–	75
At 31 July 2021 and 1 August 2021	3,338	1,865	449	309	154	6,115
Additions during the year	1,670	–	997	–	–	2,667
Depreciation expenses	(1,609)	(38)	(169)	(112)	(39)	(1,967)
Transfer out upon lease maturity	–	–	(396)	(197)	(77)	(670)
Foreign exchange movement	(73)	(59)	(5)	–	–	(137)
At 31 July 2022	3,326	1,768	876	–	38	6,008

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 11. Leases (cont'd)

### As lessee (cont'd)

#### (a) Right-of-use assets (cont'd)

Company	Motor vehicles \$'000	Office equipment, furniture and fittings and computers \$'000	Total \$'000
At 1 August 2020	523	154	677
Depreciation expenses	(214)	(51)	(265)
At 31 July 2021 and 1 August 2021	309	103	412
Depreciation expenses	(112)	(22)	(134)
Transfer out upon lease maturity	(197)	(77)	(274)
At 31 July 2022	–	4	4

#### (b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Lease liabilities</b>					
At beginning of the year		3,706	6,124	140	401
Additions		2,674	553	–	–
Modifications		–	(438)	–	–
Accretion of interest	7	130	202	2	13
Payments		(2,045)	(2,824)	(137)	(274)
Foreign exchange movement		(110)	89	–	–
At end of the year		4,355	3,706	5	140
Current	19	1,802	1,691	2	134
Non-current	19	2,553	2,015	3	6
		4,355	3,706	5	140

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 11. Leases (cont'd)

### As lessee (cont'd)

#### (b) Lease liabilities (cont'd)

Lease liabilities denominated in foreign currencies as at 31 July are as follows:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore Dollar	1,452	657	5	140
United States Dollar	113	42	–	–
Ringgit Malaysia	1,572	1,264	–	–
Renminbi	327	739	–	–
Others	891	1,004	–	–
	<b>4,355</b>	<b>3,706</b>	<b>5</b>	<b>140</b>

#### (c) Depreciation expenses, interest expenses and lease expense not capitalised in lease liabilities

The following are the amounts recognised in profit or loss:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Depreciation expense of right-of-use assets	1,967	2,311	134	265
Interest expense on lease liabilities	130	202	2	13
Lease expense relating to short-term lease	254	90	87	74
Lease expense relating to low-value assets	74	73	–	–
Total amount recognised in profit or loss	<b>2,425</b>	<b>2,676</b>	<b>223</b>	<b>352</b>

The Group had total cash outflows for leases of \$2,373,000 (2021: \$2,987,000) in the current financial year.

The Group has lease contracts that include extension options. These options provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years \$'000
<b>2022</b>	
Extension options expected not to be exercised	<b>1,687</b>
<b>2021</b>	
Extension options expected not to be exercised	<b>1,184</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 11. Leases (cont'd)

### As lessor

The Group has leased out their owned buildings to third parties for monthly lease payments. This lease is classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

The future minimum rental receivable under non-cancellable operating leases contracted for at the end of the reporting period are as follows:

	2022 \$'000	2021 \$'000
Within one year	704	732
Later than one year but not later than five years	640	1,344
	1,344	2,076

## 12. Investment in subsidiaries

	Company	
	2022 \$'000	2021 \$'000
Quoted shares, at cost	5,578	5,578
Unquoted shares, at cost	53,353	52,840
Allowance for impairment	(46,819)	(46,306)
	12,112	12,112

### (a) Composition of the Group

The Group has the following investments in subsidiaries:

	Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
			2022 %	2021 %
<b><i>Held by the Company:</i></b>				
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services and manufacturing of electronic equipment (Taiwan)	100	100
v	KES Systems & Service (1993) Pte Ltd (Singapore)	Provision of burn-in services and manufacturing of burn-in equipment (Singapore)	100	100
+	KES Systems & Service (Shanghai) Co., Ltd (Mainland China)	Provision of burn-in services and burn-in support services (Mainland China)	100	100



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 12. Investment in subsidiaries (cont'd)

### (a) Composition of the Group (cont'd)

	Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest	
			2022 %	2021 %
<b>Held by the Company: (cont'd)</b>				
vΔ	KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and manufacturing of burn-in and test equipment (USA)	100	100
^+	Kestronics Philippines, Inc. (Philippines)	Distribution of high-technology electronic equipment and materials (Philippines)	100	100
☆	KESM Industries Berhad (Malaysia)	Investment holding and provision of semiconductor burn-in services (Malaysia)	48 <sup>#</sup>	48 <sup>#</sup>
<b>Held by subsidiaries:</b>				
☆	KES Systems & Service (M) Sdn. Bhd. (Malaysia)	Provision of burn-in support services (Malaysia)	100	100
☆	KES International Sdn. Bhd. (Malaysia)	Manufacturing of burn-in equipment (Malaysia)	100	100
μ	KES Systems & Service Philippines Inc. (Philippines)	Provision of product development services (Philippines)	100	100
☆	KESM Test (M) Sdn. Bhd. (Malaysia)	Provision of semiconductor testing services (Malaysia)	48 <sup>#</sup>	48 <sup>#</sup>
☆	KESP Sdn. Bhd. (Malaysia)	Provision of semiconductor burn-in services and electronic manufacturing services (Malaysia)	48 <sup>#</sup>	48 <sup>#</sup>
☆Δ	KESM Industries (Tianjin) Co., Ltd. (Mainland China)	Provision of semiconductor burn-in and testing services (Mainland China)	48 <sup>#</sup>	48 <sup>#</sup>

v Audited by Ernst & Young LLP, Singapore.

☆ Audited by member firms of EY Global in the respective countries.

μ Audited by Punongbayan & Araullo, Philippines. SGX Listing Rule 716 is complied with.

\* Audited by PricewaterhouseCoopers, Taiwan. SGX Listing Rule 716 is complied with.

# This represents the legal interests of the Group. According to the SFRS(I) (see Note 3), Sunright Limited has *de facto* control over the company.

Δ Audited for the purpose of Group consolidation.

+ Not material to the Group and not required to be disclosed under SGX Listing Rule 717.

^ Under voluntary liquidation since 31 October 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 12. Investment in subsidiaries (cont'd)

### (b) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
<b>2022</b>					
KESM Industries Berhad	Malaysia	52%	275	58,111	533
<b>2021</b>					
KESM Industries Berhad	Malaysia	52%	1,195	60,173	652

### (c) Summarised financial information about subsidiaries with material NCI

	KESM Industries Berhad and its subsidiaries	
	2022 \$'000	2021 \$'000
<u>Summarised statement of financial position</u>		
Total assets	131,864	133,139
Total liabilities	(19,605)	(16,813)
Net assets	112,259	116,326
<u>Summarised statement of comprehensive income</u>		
Revenue	78,984	80,992
Profit for the year	533	2,393
Other comprehensive income	165	1,196
Total comprehensive income for the year	698	3,589
<u>Summarised cash flow statement</u>		
Net cash from operating activities	14,031	12,097
Net cash used in investing activities	(10,725)	(13,710)
Net cash from/(used in) financing activities	2,029	(5,107)
Net increase/(decrease) in cash and cash equivalents	5,335	(6,720)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 12. Investment in subsidiaries (cont'd)

### (d) Impairment testing on investment in subsidiaries

Movement in allowance account:

	Company	
	2022 \$'000	2021 \$'000
At beginning of the year	46,306	47,631
Charged/(reversal) to profit or loss	513	(72)
Written off	–	(1,253)
At end of the year	46,819	46,306

During the financial year, the Company carried out an impairment assessment for its investment in subsidiaries. The recoverable amounts had been determined based on higher of its value in use and fair value less costs to sell. The review led to recognition of impairment loss of \$513,000 in the Company's profit or loss.

On 14 June 2021, Kestronics (M) Sdn. Bhd. completed its voluntary liquidation and thus, its previously impaired cost of investment had been written off.

## 13. Loans to a subsidiary

	Company	
	2022 \$'000	2021 \$'000
Loans to a subsidiary (non-current)	–	144
Loans to a subsidiary (current)	144	306
Total loans to a subsidiary	144	450

The loans to a subsidiary bore interest rates of 3.46% (2021: 2.35%) per annum, are unsecured and repayable over remaining 1 year (2021: 2 years).

## 14. Inventories

	Group	
	2022 \$'000	2021 \$'000
Raw materials	1,696	2,709
Consumables	579	213
Work-in-progress	1,604	861
Finished goods	14	844
Total inventories (at net realisable value)	3,893	4,627

During the financial year, the Group wrote down \$849,000 (2021: \$291,000) of inventories which were recognised in "Other expenses" line item in the statement of profit or loss and other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 15. Trade and other receivables

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Non-current</b>					
Other receivables:					
- Sundry deposits		497	568	-	-
<b>Current</b>					
Trade receivables:					
- Trade receivables		18,090	19,210	-	-
- Amounts due from subsidiaries (trade)		-	-	1,023	635
		18,090	19,210	1,023	635
Allowance for impairment:					
- Trade receivables		(786)	(874)	-	-
		17,304	18,336	1,023	635
<b>Current</b>					
Other receivables:					
- Sundry deposits		183	76	1	1
- Sundry receivables		2,457	795	52	45
- Amounts due from subsidiaries (non-trade)		-	-	218	259
		2,640	871	271	305
Total current trade and other receivables		19,944	19,207	1,294	940
Total trade and other receivables		20,441	19,775	1,294	940
Add: Loans to a subsidiary	13	-	-	144	450
Add: Cash and short-term deposits	16	78,304	97,873	20,180	20,792
Total financial assets at amortised cost		98,745	117,648	21,618	22,182

### (a) Trade and other receivables

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 30 to 90 days' terms (2021: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Sundry receivables are non-interest bearing and are to be repaid in cash.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 15. Trade and other receivables (cont'd)

### (b) Receivables that are impaired

Trade and non-trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors who have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

#### Expected credit losses

The movement in allowance for expected credit losses of trade and non-trade receivables, including amounts due from subsidiaries, computed based on lifetime ECL are as follows:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Movement in allowance account:				
At beginning of the year	874	765	–	–
(Reversal)/charge to profit or loss	(35)	106	–	–
Written off	(44)	–	–	–
Exchange differences	(9)	3	–	–
At end of the year	786	874	–	–

During the financial year, reversal of impairment of \$35,000 (2021: impairment loss of \$106,000) was recognised in profit or loss of the Group.

### (c) Related party receivables

Amounts due from subsidiaries (trade and non-trade) are unsecured, non-interest bearing, repayable on demand and are to be repaid in cash.

The carrying amount of total trade and other receivables are denominated in the following currencies:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore Dollar	2,085	695	1,294	733
United States Dollar	5,384	5,348	–	–
Ringgit Malaysia	7,776	8,855	–	207
Renminbi	5,061	4,797	–	–
Others	135	80	–	–
	20,441	19,775	1,294	940

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 16. Cash and short-term deposits

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	13,295	19,033	2,180	1,792
Deposits with licensed banks	65,009	78,840	18,000	19,000
Cash and short-term deposits	78,304	97,873	20,180	20,792
Less: Bank deposits with maturity more than three months	(36,322)	(66,435)	(7,000)	(18,000)
Cash and cash equivalents	41,982	31,438	13,180	2,792

Cash and short-term deposits are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	21,729	24,014	20,145	20,708
United States Dollar	1,821	5,139	35	84
Ringgit Malaysia	50,445	63,482	-	-
Renminbi	4,012	4,285	-	-
Others	297	953	-	-
	78,304	97,873	20,180	20,792

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term deposits, other than those with maturity more than three months, are made for varying periods of between six days and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 July 2022 for the Group and the Company were 1.82% (2021: 1.77%) and 0.57% (2021: 0.72%) respectively.

Cash at banks of \$4,092,000 (2021: \$4,499,000) held in People's Republic of China are subject to local exchange control restrictions. These regulations place restriction on the amount of currency being exported other than through dividends and trade-related transactions.

## 17. Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:				
Balance at beginning and end of the year	122,806	35,727	122,806	35,727

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, and have no par value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 18. Other reserves

### (a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes the cumulative exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

### (b) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make an appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

### (c) Capital reserve

Capital reserve includes a legal reserve set up by the subsidiary incorporated in Taiwan. The regulation in Taiwan requires the subsidiary to set aside a legal reserve of 10% of its annual net income (less losses of prior years, if any) before it declares any part of such net profits as dividends and/or bonuses until the accumulated reserve equals the total paid up share capital.

Capital reserve includes the shares of subsidiaries received by the Company arising from bonus issue. Capital reserve also accounted for the flow-through effects of investee company's accounting for capital reserves.

## 19. Loans and borrowings

	Note	Maturity	Group		Company	
			2022	2021	2022	2021
			\$'000	\$'000	\$'000	\$'000
<u>Current</u>						
Lease liabilities	11		1,802	1,691	2	134
Bank loans		2023	3,297	2,549	351	650
			<u>5,099</u>	<u>4,240</u>	<u>353</u>	<u>784</u>
<u>Non-current</u>						
Lease liabilities	11		2,553	2,015	3	6
Bank loans		2026	5,466	3,076	528	735
			<u>8,019</u>	<u>5,091</u>	<u>531</u>	<u>741</u>
Total loans and borrowings			<u>13,118</u>	<u>9,331</u>	<u>884</u>	<u>1,525</u>

### (a) Bank loans

The bank loans of the Group and the Company bore interest between 3.2% and 5.0% (2021: between 1.7% and 5.2%), and 3.2% and 3.5% (2021: 1.7% and 3.3%) per annum respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 19. Loans and borrowings (cont'd)

A reconciliation of movement of liabilities to cash flows arising from financing activities is as follows:

	1 August 2021	Cash flows	Non-cash items				31 July 2022
			Acquisitions	Modifications	Foreign exchange movement	Others	
Bank loans							
- Current	2,549	(4,024)	-	-	(49)	4,821	3,297
- Non-current	3,076	7,248	-	-	(37)	(4,821)	5,466
Lease liabilities							
- Current	1,691	(1,915)	-	-	(50)	2,076	1,802
- Non-current	2,015	-	2,674	-	(60)	(2,076)	2,553
<b>Total</b>	<b>9,331</b>	<b>1,309</b>	<b>2,674</b>	<b>-</b>	<b>(196)</b>	<b>-</b>	<b>13,118</b>

	1 August 2020	Cash flows	Non-cash items				31 July 2021
			Acquisitions	Modifications	Foreign exchange movement	Others	
Bank loans							
- Current	8,092	(13,458)	-	-	82	7,833	2,549
- Non-current	117	11,037	-	-	(15)	(8,063)	3,076
Lease liabilities							
- Current	2,583	(2,622)	-	(142)	34	1,838	1,691
- Non-current	3,541	-	553	(296)	55	(1,838)	2,015
<b>Total</b>	<b>14,333</b>	<b>(5,043)</b>	<b>553</b>	<b>(438)</b>	<b>156</b>	<b>(230)</b>	<b>9,331</b>

The 'Others' column relates to the reclassification of non-current portion of loans and borrowings, including lease liabilities due to passage of time and the waiver of a bank loan in one of the subsidiaries, as part of COVID-19 related government reliefs.

The carrying amounts of total loans and borrowings are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	3,382	3,379	884	1,525
United States Dollar	113	42	-	-
Ringgit Malaysia	8,405	2,196	-	-
Renminbi	327	1,420	-	-
Others	891	2,294	-	-
	<b>13,118</b>	<b>9,331</b>	<b>884</b>	<b>1,525</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 20. Income tax

### (a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2022 and 2021 are:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Statement of profit or loss and other comprehensive income</u>		
<i>Current income tax:</i>		
- Current income tax	359	703
- Over provision in respect of previous years	(33)	(12)
	<u>326</u>	<u>691</u>
<i>Deferred tax:</i>		
- Origination and reversal of temporary differences	577	547
- (Over)/under provision in respect of previous years	(6)	13
	<u>571</u>	<u>560</u>
Income tax expense recognised in the statement of profit or loss and other comprehensive income	<u>897</u>	<u>1,251</u>

### (b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit before taxation multiplied by the applicable corporate tax rate for the financial years ended 31 July 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit before tax	<u>(2,804)</u>	<u>3,760</u>
Tax calculated at statutory tax rate of 17% (2021: 17%)	(477)	639
Adjustments:		
Non-deductible expenses	319	144
Income not subject to tax	(87)	(369)
Effect of different tax rates on foreign income	(80)	149
Benefits from previously unrecognised deferred tax assets	-	(326)
Deferred tax assets not recognised	1,261	1,013
(Over)/under provision in respect of previous years		
- Current income tax	(33)	(12)
- Deferred tax	(6)	13
Income tax expense recognised in the statement of profit or loss and other comprehensive income	<u>897</u>	<u>1,251</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 20. Income tax (cont'd)

### (c) Deferred tax

Deferred tax as at 31 July relates to the following:

	Group statement of financial position		Group statement of profit or loss and other comprehensive income	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<i>Deferred tax liabilities:</i>				
Differences in depreciation for tax purposes	2,116	1,256	930	486
Other deductible temporary differences	(474)	(447)	(42)	(16)
	<u>1,642</u>	<u>809</u>	<u>888</u>	<u>470</u>
<i>Deferred tax assets:</i>				
Differences in depreciation for tax purposes	(30)	2	(32)	247
Other deductible temporary differences	(1,348)	(1,102)	(285)	(157)
	<u>(1,378)</u>	<u>(1,100)</u>	<u>(317)</u>	<u>90</u>
Deferred tax expenses recognised in the statement of profit or loss and other comprehensive income			<u>571</u>	<u>560</u>

### (d) Unrecognised tax benefits

At the end of the reporting period, the Group has unutilised tax losses, capital allowances, and other temporary differences of approximately \$45,646,000 (2021: \$41,207,000), \$9,061,000 (2021: \$8,594,000), and \$15,993,000 (2021: \$15,048,000) respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses in Mainland China, Malaysia, Taiwan and USA can be carried forward for 5 years, 10 years, 10 years and 20 years respectively. The tax losses in Singapore have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 21. Trade and other payables

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Trade and other payables:					
- Trade payables		5,865	6,192	-	-
- Accrued operating expenses		5,300	5,404	1,008	932
- Deferred grant income		-	5	-	5
- Sundry payables		4,847	5,572	21	-
- Derivatives	23(b)	9	29	-	-
- Amounts due to subsidiaries (non-trade)		-	-	9	10
		16,021	17,202	1,038	947
Add: Loans and borrowings	19	13,118	9,331	884	1,525
Less: Derivatives	23(b)	(9)	(29)	-	-
Less: Deferred grant income		-	(5)	-	(5)
Total financial liabilities carried at amortised cost		29,130	26,499	1,922	2,467

### (a) Trade payables and sundry payables

These amounts are non-interest bearing and are normally settled on 30 to 90 days' terms.

### (b) Amounts due to subsidiaries (non-trade)

Amounts due to subsidiaries (non-trade) are unsecured, non-interest bearing and repayable on demand.

### (c) Deferred grant income

Deferred grant income pertains to the defrayment of the salary cost incurred for the grant provided by the Singapore Government under the Job Support Scheme.

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore Dollar	4,224	3,924	1,038	937
United States Dollar	4,833	6,007	-	10
Ringgit Malaysia	3,903	4,935	-	-
Renminbi	2,640	1,966	-	-
Others	421	421	-	-
	16,021	17,253	1,038	947

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 22. Defined benefit liabilities

The Group operates two (2021: two) unfunded defined benefit plans. The level of benefit provided depends on eligible employees' length of service and their salary in their final years leading up to retirement.

The amount included in the consolidated statements of financial position arising from the Group's obligations in respect of its defined benefit plans is as follows:

	Group	
	2022	2021
	\$'000	\$'000
Present value of defined benefit obligations, representing net defined benefit liabilities	(1,471)	(1,417)

Changes in present value of the defined benefit obligations are as follows:

	Note	Group	
		2022	2021
		\$'000	\$'000
Balance at beginning of the year		(1,417)	(1,445)
Current service costs	6	(94)	(84)
Interest costs	7	(50)	(35)
Remeasurement gain on defined benefit plans			
Actuarial gain arising from:			
- Changes in financial assumptions		39	128
Currency realignment		51	19
Balance at end of the year		(1,471)	(1,417)

The components of amounts recognised in profit or loss and in other comprehensive income in respect of the defined benefit plans are as follows:

Reported in profit or loss

	Note	Group	
		2022	2021
		\$'000	\$'000
Current service costs	6	(94)	(84)
Interest costs	7	(50)	(35)
		(144)	(119)

Remeasurement gain recognised in other comprehensive income

	Group	
	2022	2021
	\$'000	\$'000
Actuarial gain arising from:		
- Changes in financial assumptions	39	128

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 22. Defined benefit liabilities (cont'd)

The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group	
	2022	2021
	\$'000	\$'000
Discount rates	4.5% to 4.6%	3.3% to 3.8%
Expected rate of future salary increases	4.3%	4.2%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period. Assuming all other assumptions were held constant, the Group's defined benefit liabilities would be higher/(lower) by:

	Increase/ (decrease)	Group	
		2022	2021
		\$'000	\$'000
Discount rates	0.25%	(12)	(15)
	(0.25%)	12	15
Expected rate of future salary increases	0.25%	12	15
	(0.25%)	(12)	(15)

The duration of the defined benefit obligations at the end of the reporting period is 2 to 5 years (2021: 3 to 6 years).

## 23. Commitments

### (a) Capital commitments

Capital expenditure as at the end of reporting date is as follows:

	Group	
	2022	2021
	\$'000	\$'000
Property, plant and equipment		
- Authorised and contracted for	13,340	3,409

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 23. Commitments (cont'd)

### (b) Financial instruments

Derivatives included in the statement of financial position at 31 July are as follows:

Group	Note	2022		2021	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	25(b)	–	(9)	–	(29)

As at 31 July 2022, the Group held five (2021: nine) forward currency contracts, with total outstanding notional amounts of \$2,197,000 (2021: \$2,742,000). The outstanding forward contracts mature in 1 to 3 months (2021: 1 to 3 months).

The Group does not apply hedge accounting.

### (c) Guarantees

As at 31 July 2022, the Company has provided corporate guarantee to the financial institution for one of its subsidiaries in connection with a term loan amounting to \$1,051,000 (2021: \$1,337,000).

## 24. Related party disclosures

### Compensation of key management personnel

	Group	
	2022 \$'000	2021 \$'000
Salaries, bonuses and fees	2,600	2,617
CPF and other defined contributions	164	162
Total compensation paid to key management personnel	2,764	2,779

The remuneration of key management personnel are determined having regard to the performance of individuals and market trends.

## 25. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 25. Fair value of assets and liabilities (cont'd)

### (a) Fair value hierarchy (cont'd)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There has been no transfer between levels of fair value measurements during the financial years ended 31 July 2022 and 2021.

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Note	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Total \$'000
<b>2022</b>				
<u>Financial assets/(liabilities):</u>				
Equity securities at FVPL:				
- Investment securities (quoted)		4,204	-	4,204
Derivatives:				
- Forward currency contracts	23(b)	-	(9)	(9)
At 31 July 2022		4,204	(9)	4,195
<b>2021</b>				
<u>Financial assets/(liabilities):</u>				
Equity securities at FVPL:				
- Investment securities (quoted)		4,924	-	4,924
Derivatives:				
- Forward currency contracts	23(b)	-	(29)	(29)
At 31 July 2021		4,924	(29)	4,895

### (c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates as well as forward rate curves.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 25. Fair value of assets and liabilities (cont'd)

### (d) Assets and liabilities not measured at fair value and whose carrying amounts are reasonable approximation of fair value

Loans to a subsidiary (Note 13), trade and other receivables (Note 15), trade and other payables (Note 21), cash and short-term deposits (Note 16) and loans and borrowings (Note 19)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are instruments that are priced to market interest rates on or near the end of the reporting period.

## 26. Financial risk management objectives and policies

The Group's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group that these risks may expose.

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Board of Directors reviews policies and procedures for the management of these risks. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risks arises primarily from their loans and borrowings. The Group obtains additional financing through bank borrowings and leasing arrangements.

The Group's interest-bearing financial assets are mainly short-term in nature, where the surplus funds are placed with reputable licensed banks and financial institutions.

The Group's policy is to obtain the most favourable interest rates available.

#### *Sensitivity analysis for interest rate risk*

At the end of the reporting period, if interest rates had been 100 (2021: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's profit before tax would have been \$72,000 (2021: \$69,000) and \$11,000 (2021: \$16,000) lower/higher respectively arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in currency other than the respective functional currencies of Group entities, primarily United States Dollar ("USD").

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies (Note 16) for working capital purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Malaysia, United States, Mainland China, Taiwan and Philippines. The Group's net investments in foreign operations are not hedged as these currency positions are considered to be long-term in nature.

#### *Sensitivity analysis for foreign currency risk*

The following table demonstrates the increase/(decrease) in the Group's profit before tax to a reasonably possible change in the USD exchange rate against SGD and Ringgit Malaysia ("RM") with all other variables held constant:

	Group	
	2022 \$'000	2021 \$'000
USD/SGD - strengthened 1% (2021: 1%)	12	43
USD/SGD - weakened 1% (2021: 1%)	(12)	(43)
USD/RM - strengthened 1% (2021: 1%)	25	8
USD/RM - weakened 1% (2021: 1%)	(25)	(8)

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's cash and short-term deposits, operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk (cont'd)

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
<b>31 July 2022</b>			
<u>Financial assets:</u>			
Investment securities	4,204	–	4,204
Trade and other receivables	19,944	497	20,441
Cash and short-term deposits	78,304	–	78,304
Total undiscounted financial assets	102,452	497	102,949
<u>Financial liabilities:</u>			
Trade and other payables	(16,021)	–	(16,021)
Lease liabilities	(1,943)	(2,712)	(4,655)
Loans and borrowings (excluding lease liabilities)	(3,571)	(5,749)	(9,320)
Total undiscounted financial liabilities	(21,535)	(8,461)	(29,996)
Total net undiscounted financial assets/(liabilities)	80,917	(7,964)	72,953
<b>31 July 2021</b>			
<u>Financial assets:</u>			
Investment securities	4,924	–	4,924
Trade and other receivables	19,207	568	19,775
Cash and short-term deposits	97,873	–	97,873
Total undiscounted financial assets	122,004	568	122,572
<u>Financial liabilities:</u>			
Trade and other payables	(17,197)	–	(17,197)
Lease liabilities	(1,843)	(2,839)	(4,682)
Loans and borrowings (excluding lease liabilities)	(2,693)	(3,362)	(6,055)
Total undiscounted financial liabilities	(21,733)	(6,201)	(27,934)
Total net undiscounted financial assets/(liabilities)	100,271	(5,633)	94,638

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (c) Liquidity risk (cont'd)

*Analysis of financial instruments by remaining contractual maturities (cont'd)*

Company	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
<b>31 July 2022</b>			
<u>Financial assets:</u>			
Investment securities	360	–	360
Trade and other receivables	1,294	–	1,294
Loans to a subsidiary	145	–	145
Cash and short-term deposits	20,180	–	20,180
Total undiscounted financial assets	21,979	–	21,979
<u>Financial liabilities:</u>			
Trade and other payables	(1,038)	–	(1,038)
Lease liabilities	(2)	(3)	(5)
Loans and borrowings (excluding lease liabilities)	(375)	(584)	(959)
Total undiscounted financial liabilities	(1,415)	(587)	(2,002)
Total net undiscounted financial assets/(liabilities)	20,564	(587)	19,977
<b>31 July 2021</b>			
<u>Financial assets:</u>			
Investment securities	384	–	384
Trade and other receivables	940	–	940
Loans to a subsidiary	311	145	456
Cash and short-term deposits	20,792	–	20,792
Total undiscounted financial assets	22,427	145	22,572
<u>Financial liabilities:</u>			
Trade and other payables	(942)	–	(942)
Lease liabilities	(137)	(5)	(142)
Loans and borrowings (excluding lease liabilities)	(681)	(837)	(1,518)
Total undiscounted financial liabilities	(1,760)	(842)	(2,602)
Total net undiscounted financial assets/(liabilities)	20,667	(697)	19,970

As at the end of financial year, the contractual expiry of the Company's corporate guarantee matured within 4 years. This was based on the earliest period in which the corporate guarantee contracts could be called. The maximum amount of the corporate guarantee contracts are disclosed in Note 26(d)(ii).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- internal credit rating
- external credit rating as and when necessary
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

The Group determined that its financial assets are credit-impaired when:

- there is a significant difficulty of the debtors
- a breach of contract such as a default or past due event
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

The Group categorises a receivable for potential write-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

#### *Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values; and
- (ii) a nominal amount of \$1,051,000 (2021: \$1,337,000) relating to corporate guarantee provided by the Company to the financial institution for one of its subsidiaries' term loan.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (d) Credit risk (cont'd)

#### *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables, net of allowance, at the end of the reporting period is as follows:

Group	2022		2021	
	\$'000	% of total	\$'000	% of total
<b>By country:</b>				
Singapore	443	3	291	2
Malaysia	10,431	60	10,364	57
Mainland China	5,670	33	5,751	31
Other Asian markets *	125	1	522	3
United States	240	1	743	4
Others	395	2	665	3
	<b>17,304</b>	<b>100</b>	<b>18,336</b>	<b>100</b>
<b>By industry sectors:</b>				
Burn-in, testing and electronic manufacturing services	<b>17,304</b>	<b>100</b>	<b>18,336</b>	<b>100</b>

\* Classified under "Other Asian markets" are Taiwan, Philippines and Vietnam.

At the end of the reporting period, approximately:

- (i) 79% (2021: 80%) of the Group's trade receivables were due from 4 (2021: 3) major customers who are in the semiconductor industry; and
- (ii) 96% (2021: 95%) of the Company's receivables were balances with related parties.

#### *Trade receivables*

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company determine expected credit losses of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 26. Financial risk management objectives and policies (cont'd)

### (d) Credit risk (cont'd)

*Trade receivables (cont'd)*

	Trade receivables past due			Total \$'000
	1 to 90 days \$'000	91 to 180 days \$'000	More than 180 days \$'000	
<b>Group</b>				
<b>As at 31 July 2022</b>				
Trade receivables	889	972	786	2,647
Allowance for impairment	-	-	(786)	(786)
Trade receivables - net	889	972	-	1,861
<b>As at 31 July 2021</b>				
Trade receivables	1,008	13	874	1,895
Allowance for impairment	-	-	(874)	(874)
Trade receivables - net	1,008	13	-	1,021
<b>Company</b>				
<b>As at 31 July 2022</b>				
Trade receivables	-	-	-	-
<b>As at 31 July 2021</b>				
Trade receivables	-	-	-	-

### (e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from its investments in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and Bursa Malaysia Securities Berhad in Malaysia, and are classified as held for trading. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by investing in companies operating mainly in Singapore and Malaysia which are publicly traded.

*Sensitivity for market price risk*

At the end of the reporting period, if the share price of the quoted equity instruments had been 5% (2021: 5%) higher/lower with all other variables held constant, the Group's and the Company's profit before tax would have been \$210,000 (2021: \$246,000) and \$18,000 (2021: \$19,000) higher/lower respectively, arising as a result of higher/lower fair value gain on investment securities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 27. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2022 and 2021.

As disclosed in Note 18, a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China ("PRC") to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 July 2022 and 2021.

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. The Group includes within net debt, loans and borrowings less cash and short-term deposits. Capital includes equity attributable to owners of the Company less statutory reserve fund.

		Group	
	Note	2022	2021
		\$'000	\$'000
Total loans and borrowings (total debt)	19	13,118	9,331
Less: Cash and short-term deposits	16	(78,304)	(97,873)
Net cash		(65,186)	(88,542)
Total equity attributable to owners of the Company		77,981	84,084
Less: Statutory reserve fund		(860)	(860)
		77,121	83,224

At the end of the reporting period, the Group's cash and short-term deposits exceed its loans and borrowings. Therefore, gearing ratio is not meaningful to the Group.

## 28. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has the following reportable business segments:

- (i) burn-in, testing and electronic manufacturing services segment is in the business of manufacturing burn-in/test equipment, assembly of electronic and electrical components, provision of burn-in and testing services and research and development of burn-in and test related activities. This reportable segment has been formed by aggregating the burn-in and test related activities and assembly activities, which are regarded by management to exhibit similar economic characteristics.
- (ii) others segment involves Group-level corporate services, treasury and investments functions, business of trading in and distribution of high-technology electronic products (which does not meet any of the quantitative thresholds for disclosure under SFRS(I) 8 Operating Segments), and consolidation adjustments which are not directly attributable to particular business segment above.

Except as indicated above, no other operating segment has been aggregated to form the above reportable operating segments.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 28. Segment information (cont'd)

Key management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at terms agreed between the related parties, in a manner similar to transactions with third parties.

	<b>Burn-in, testing and electronic manufacturing services \$'000</b>	<b>Others \$'000</b>	<b>Consolidated \$'000</b>
<b>2022</b>			
<b>Revenue:</b>			
External customers	100,718	–	100,718
<b>Results:</b>			
Segment (loss)/profit	(3,819)	52	(3,767)
Interest income			1,307
Finance costs			(344)
Loss before tax			(2,804)
Income tax expense			(897)
Loss for the year			(3,701)
<b>Other information:</b>			
Depreciation of property, plant and equipment	17,861	276	18,137
Additions to property, plant and equipment	32,212	50	32,262
<b>2021</b>			
<b>Revenue:</b>			
External customers	111,396	–	111,396
<b>Results:</b>			
Segment profit	2,573	189	2,762
Interest income			1,451
Finance costs			(453)
Profit before tax			3,760
Income tax expense			(1,251)
Profit for the year			2,509
<b>Other information:</b>			
Depreciation of property, plant and equipment	20,550	370	20,920
Additions to property, plant and equipment	16,866	72	16,938

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 28. Segment information (cont'd)

### (a) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets**	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore	1,653	3,322	2,080	1,587
Malaysia	65,028	69,351	47,964	35,780
Mainland China	23,592	22,365	5,432	4,551
Other Asian countries*	2,717	4,343	999	1,180
United States	4,597	6,527	122	44
Others	3,131	5,488	-	-
	<b>100,718</b>	<b>111,396</b>	<b>56,597</b>	<b>43,142</b>

\* Classified under "Other Asian countries" are Taiwan, Philippines, Thailand and Vietnam.

\*\* Non-current assets consist of property, plant and equipment.

### (b) Information about major customers

The Group's customer base includes 4 (2021: 4) customers from burn-in, testing and electronic manufacturing services segment, with whom transactions have exceeded 10% of the Group's revenue. Revenue generated from these customers amounted to approximately \$81 million (2021: \$85 million).

## 29. Dividends

	Group and Company	
	2022 \$'000	2021 \$'000
<b>Recognised during the financial year:</b>		
- Final ordinary tax exempt (one-tier) dividend for 2021 at 0.3 cent (2020: 0.3 cent) per share	368	368
<b>Proposed but not recognised as a liability as at 31 July:</b>		
- Final ordinary tax exempt (one-tier) dividend for 2022 at nil cent (2021: 0.3 cent) per share	-	368

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2022

## 30. Litigation

On 1 May 2019, a complaint was filed in District Court in Midland, County, Texas by Weatherford International, LLC and Weatherford U.S. L.P. ("Claimants") against KES (USA) Inc., a predecessor entity of the Company's wholly-owned subsidiary, KES Systems, Inc. ("KESI").

The Claimants alleged that KESU Systems & Service, Inc., a predecessor entity of KES (USA) Inc., along with several other defendant companies and the City of Midland, caused or contributed to environmental contamination at a certain property located in Midland, and seek reimbursement under Texas law for the cost of cleaning up such alleged contamination (the "Claim").

KESI asserts that there is no merit to the Claim. KESI denies Claimants' allegations and will, in consultation with its legal advisor, take all necessary steps to vigorously resist and refute any and all allegations or claims made against it, including seeking opportunities to remove itself from the case.

There is no development during the current financial year.

## 31. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 July 2022 were approved in accordance with a resolution of the directors on 28 September 2022.

# SHAREHOLDERS' INFORMATION

As at 28 September 2022

Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	Number of shareholders	%	Number of Shares	%
1 – 99	3	0.10	84	0.00
100 – 1,000	1,057	34.64	1,035,959	0.84
1,001 – 10,000	1,569	51.43	7,265,111	5.92
10,001 – 1,000,000	408	13.37	19,935,788	16.23
1,000,001 and above	14	0.46	94,569,058	77.01
<b>Total</b>	<b>3,051</b>	<b>100.00</b>	<b>122,806,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDER

(as recorded in the Register of Substantial Shareholders)

Name	Number of Shares	%
Samuel Lim Syn Soo	67,466,666	54.94

## TOP 20 SHAREHOLDERS

No.	Name	Number of Shares	%
1.	Samuel Lim Syn Soo	67,466,666	54.94
2.	United Overseas Bank Nominees (Private) Limited	4,297,700	3.50
3.	DBS Nominees (Private) Limited	4,036,390	3.29
4.	Phillip Securities Pte Ltd	2,659,502	2.17
5.	Tan Teoh Khoon	2,130,000	1.73
6.	Citibank Nominees Singapore Pte Ltd	2,112,500	1.72
7.	Ang Ah Beng	1,901,500	1.55
8.	OCBC Nominees Singapore Private Limited	1,858,100	1.51
9.	Raffles Nominees (Pte.) Limited	1,582,800	1.29
10.	Goh Guan Siong (Wu YuanXiang)	1,466,800	1.19
11.	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,366,900	1.11
12.	UOB Kay Hian Private Limited	1,357,900	1.11
13.	OCBC Securities Private Limited	1,254,400	1.02
14.	Maybank Securities Pte. Ltd.	1,077,900	0.88
15.	Tan Chin Wah	801,000	0.65
16.	IFast Financial Pte. Ltd.	678,600	0.55
17.	Gordon Cai Zhen Qiang	650,000	0.53
18.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
19.	Yeo Wei Huang	501,000	0.41
20.	Lee Chin Ing (Li JingYing)	500,000	0.41
	<b>Total</b>	<b>98,226,658</b>	<b>79.99</b>

# SHAREHOLDERS' INFORMATION

As at 28 September 2022

## DIRECTORS' INTEREST AS AT 21 AUGUST 2022

Name of Directors	Number of Shares Held	
	Direct	Deemed
Samuel Lim Syn Soo	67,466,666	–
Kenneth Tan Teoh Khoon	2,130,000	–
Timothy Brooks Smith	–	–
Daniel Soh Chung Hian	–	–
Sandy Foo Fei Ying	–	–

## FREE FLOAT

As at 28 September 2022, approximately 43.3% of the issued ordinary shares of the Company were held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting (“AGM”) of Sunright Limited (the “Company”), will be held at Meeting Room 326, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, on Monday, 21 November 2022 at 10.00 a.m., for the following purposes: -

## Ordinary Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 July 2022 and the Auditor’s Report thereon. **Resolution 1**
2. To re-elect the following directors retiring by rotation under Article 87 of the Company’s Constitution and who, being eligible, offer themselves for re-election.  
  - (a) Mr Kenneth Tan Teoh Khoon **Resolution 2**
  - (b) Mr Daniel Soh Chung Hian **Resolution 3**

*[See Explanatory Notes below]*
3. To approve the payment of Directors’ fees of S\$175,700 (2021: S\$202,150), in respect of the financial year ended 31 July 2022. **Resolution 4**
4. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**
5. To transact any other business which may properly be transacted at an annual general meeting.

By Order of the Board

### Adeline Lim Kim Swan

Company Secretary  
27 October 2022

### Explanatory Notes:

**Resolution 2** – Mr Kenneth Tan Teoh Khoon, upon re-election as Director of the Company, will continue to serve as Executive Director of the Company and remain as a member of the Nominating Committee.

**Resolution 3** – Mr Daniel Soh Chung Hian, upon re-election as Director of the Company, will remain as Lead Independent Director, Chairman of the Audit and Risk Committee and the Nominating Committee, and a member of the Remuneration Committee. He is considered an Independent Non-Executive Director.

Detailed information on Mr Kenneth Tan Teoh Khoon and Mr Daniel Soh Chung Hian who are proposed for re-election at the AGM can be found under “Board of Directors” and “Additional Information on Directors Seeking Re-election at the AGM” in the Company’s Annual Report 2022.

# NOTICE OF ANNUAL GENERAL MEETING

## Important Notes:

1. **Conduct of Meeting.** The AGM will be held in a **wholly physical format**. Members and proxy(ies) have to attend the AGM in person as there will be **no option to participate virtually**.

Members and proxy(ies) should note that the manner of conducting the AGM may be subject to further changes at short notice based on any legislative amendments, directives, measures or guidelines from government agencies or regulatory authorities in relation to the evolving COVID-19 situation. Members and proxy(ies) should regularly check the Company's website, at the URL [https://www.sunright.com/eng/investor\\_relations.htm](https://www.sunright.com/eng/investor_relations.htm) or the SGXNet, at the URL <https://www.sgx.com/securities/company-announcements> for any further updates made by the Company.

2. **Notice of AGM and Proxy Form.** Printed copies of this Notice of AGM and associated Proxy Form will not be sent to members. Instead, these will be published on and can be accessed at the Company's website, at the URL [https://www.sunright.com/eng/investor\\_relations.htm](https://www.sunright.com/eng/investor_relations.htm) and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.

3. **Questions Relating to the Agenda of the AGM**

- (i) Members and proxy(ies) will be able to ask questions in person at the AGM.
- (ii) Members may **submit questions in advance of the AGM**, in the following manner:
  - (a) by posting to Sunright Limited, c/o Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (b) by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com),

in either case, **by 10.00 a.m. on 4 November 2022**.

When submitting questions by post or via email, please also provide your full name, NRIC (last 3 numerical digits and checksum)/Passport (last 4 numerical digits)/Company Registration No., address and the manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS).

The Company will **publish the responses** to the substantial and relevant questions on the Company's website, at the URL [https://www.sunright.com/eng/investor\\_relations.htm](https://www.sunright.com/eng/investor_relations.htm) and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements> **before trading hours on 16 November 2022**. If there are subsequent clarifications sought, or follow-up questions (which are related to the resolutions to be tabled for approval at the AGM) received after the cut-off time for the submission of questions which have not already been addressed prior to the AGM, these may be addressed at the AGM.

- (iii) Where substantially similar questions are received, the Company will consolidate these questions. As such, not all questions will be addressed individually.
4. **Voting.** Each of the resolutions to be put to the vote of members at the AGM (and at any adjournment thereof) will be voted on by way of a poll.
  5. **Appointment of Proxy(ies)**
    - (i) A member is entitled to appoint proxy(ies) to attend, speak and vote at the AGM on his/her/its behalf. A proxy needs not be a member of the Company.
    - (ii) A member (who is not a Relevant Intermediary) is entitled to appoint not more than two proxies. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Singapore Companies Act 1967.
    - (iii) A member who is a Relevant Intermediary, is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
    - (iv) Where a member appoints proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the proxy(ies) may vote or abstain from voting at his/her/its discretion.
    - (v) A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.

# NOTICE OF ANNUAL GENERAL MEETING

(vi) The **Proxy Form must be duly completed, signed and submitted** in the following manner:

- (a) by posting to Sunright Limited, c/o Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
- (b) by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com).

in either case, **by 10.00 a.m. on 18 November 2022**, being 72 hours before the time appointed for holding the AGM. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant Proxy Form, to the AGM.

(vii) CPF/SRS investors who hold the Company's shares:

- (a) may attend the AGM if they are appointed as proxies by their respective CPF Agent Banks/SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; or
- (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on 10 November 2022.

6. Any reference to a time of day is made by reference to Singapore time.

7. **Annual Report 2022.** Printed copy will not be sent to members. Instead, it will be published on and can be accessed at the Company's website, at the URL [https://www.sunright.com/eng/investor\\_relations.htm](https://www.sunright.com/eng/investor_relations.htm) and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.

For members who still wish to receive a printed copy, he/she/it may submit his/her/its request by downloading the Request Form from the Company's website at the URL [https://www.sunright.com/eng/investor\\_relations.htm](https://www.sunright.com/eng/investor_relations.htm). The duly completed Request Form must be submitted to and reach the Company no later than 7 November 2022.

## Other notes:

- 1. In view the pandemic is not over and to minimise the risk of community spread of COVID-19 virus, attendees of AGM (including member(s), proxy(ies) and corporate representatives) should not attend the meeting if he/she is feeling unwell or have flu-like symptoms. The Company reserves the right to refuse such attendees admission to the AGM.
- 2. The Company will record or take photograph during the AGM for its record archival and minutes purposes. By participating in the AGM, member(s), proxy(ies) and corporate representatives will be deemed to have consented to the Company's recording and/or taking photographs of him/her at the AGM.
- 3. We seek your understanding that no food will be served at the AGM.

## Personal Data Privacy:

By submitting the Proxy Form appointing proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company accepts and agrees that all personal data provided to the Company is subject to its Privacy Policy, which is available at [www.sunright.com](http://www.sunright.com).



# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

Name of Director	Kenneth Tan Teoh Khoon	Daniel Soh Chung Hian
Date of Appointment	12 January 1994	3 December 2018
Date of last re-appointment	21 November 2019	21 November 2019
Age	65	68
Country of principal residence	Singapore	Singapore
The Board's comments on this re-election / appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	<p>The re-election of Mr Kenneth Tan as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his outstanding service as an Executive Director, his wide industry and institutional knowledge, his qualifications and experience, and his strong contributions to the Group.</p> <p>Mr Kenneth Tan had abstained from making any recommendation and/or deliberating in respect of his own nomination.</p> <p>Upon re-election, Mr Kenneth Tan will continue to serve as a member of the Nominating Committee.</p> <p>The Board is of the view that the present Board composition provides an appropriate balance and diversity of skillsets, gender, age, tenure, experience and expertise as well as level of independence to enable it to provide effective leadership and direction.</p>	<p>The re-election of Mr Daniel Soh as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his qualifications, professional expertise and experience, and his contributions since he joined the Board.</p> <p>Mr Daniel Soh had abstained from making any recommendation and/or deliberating in respect of his own nomination.</p> <p>Upon re-election, Mr Daniel Soh will continue to serve as Chairman of the Audit and Risk Committee and the Nominating Committee and a member of the Remuneration Committee.</p> <p>The Board is of the view that the present Board composition provides an appropriate balance and diversity of skillsets, gender, age, tenure, experience and expertise as well as level of independence to enable it to provide effective leadership and direction.</p>
Whether appointment is executive, and if so, the area of responsibility	<p>Executive</p> <ol style="list-style-type: none"> <li>1. General management responsibilities.</li> <li>2. Business management in joint ventures, product line acquisitions and divestments, legal and contract negotiations.</li> <li>3. Corporate, financial and treasury functions.</li> <li>4. Board level functions and strategy development.</li> <li>5. Corporate affairs and investor relations.</li> </ol>	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	<ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Member of Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Independent Director</li> <li>• Chairman of Audit and Risk Committee</li> <li>• Chairman of Nominating Committee</li> <li>• Member of Remuneration Committee</li> </ul>

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

Name of Director	Kenneth Tan Teoh Khoon	Daniel Soh Chung Hian
Professional qualifications	Bachelor of Accountancy from the National University of Singapore and a Fellow Member of the Institute of Singapore Chartered Accountants	Bachelor of Accountancy from the then University of Singapore, Master of Business Administration from The International Management Centres of the United Kingdom and a Fellow Member of the Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10 years	Company Director	Company Director and Audit Partner
Shareholding interest in the listed issuer and its subsidiaries	Sunright Limited – 2,130,000 shares	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years):	<u>Directorships</u> <ul style="list-style-type: none"> <li>• Kestronics (S) Pte Ltd</li> <li>• Kestronics (M) Sdn. Bhd.</li> <li>• KES Systems &amp; Service (Shanghai) Co., Ltd</li> </ul>	<u>Directorships</u> <ul style="list-style-type: none"> <li>• JDJ Investment Pte Ltd</li> <li>• Lum Chang Holdings Limited</li> <li>• British and Malayan Trustees Limited</li> <li>• Agency for Integrated Care Pte Ltd</li> </ul>
Present:	<u>Directorship in Listed Company</u> <ul style="list-style-type: none"> <li>• KESM Industries Berhad</li> </ul> <u>Directorship in Non-Listed Companies</u> <ul style="list-style-type: none"> <li>• KES Systems &amp; Service (1993) Pte Ltd</li> <li>• KES Systems &amp; Service (M) Sdn. Bhd.</li> <li>• KES Systems &amp; Service Philippines Inc.</li> <li>• KEST Systems &amp; Service Ltd</li> <li>• KES International Sdn. Bhd.</li> <li>• Kestronics Philippines, Inc.</li> <li>• KES Systems, Inc.</li> <li>• KESM Test (M) Sdn. Bhd.</li> <li>• KESP Sdn. Bhd.</li> <li>• KESM Industries (Tianjin) Co., Ltd</li> </ul> <u>Major Appointment (other than Directorships)</u> <p>Nil</p>	<u>Directorship in Listed Company</u> <ul style="list-style-type: none"> <li>• British and Malayan Holdings Limited</li> <li>• Vicom Ltd</li> </ul> <u>Directorship in Non-Listed Company</u> <p>Nil</p> <u>Major Appointments (other than Directorships)</u> <p>Nil</p>

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

## Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.

- (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?
- (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?
- (c) Whether there is any unsatisfied judgement against him?
- (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?
- (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?
- (f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?
- (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?
- (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?
- (i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?
- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE AGM

(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

Mr Kenneth Tan Teoh Khoon's and Mr Daniel Soh Chung Hian's responses to the above-mentioned items (a) to (k) were all "No".

*This page has been intentionally left blank.*



# SUNRIGHT LIMITED

Co. Reg. No.197800523M  
(Incorporated in the Republic of Singapore)

## FORTY-FOURTH ANNUAL GENERAL MEETING (“AGM”) PROXY FORM

### IMPORTANT

1. Relevant intermediary as defined in Section 181 of the Singapore Companies Act 1967 may appoint more than two proxies to attend, speak and vote at the AGM.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of proxy(ies) to attend, speak and vote on a member’s behalf, at the AGM.
4. By submitting this Proxy Form, the member accepts and agrees that all personal data provided to the Company is subject to its Privacy Policy, which is available at [www.sunright.com](http://www.sunright.com).

I/We \_\_\_\_\_ (Full Name), NRIC/Passport/Company Registration No. \_\_\_\_\_  
of \_\_\_\_\_ (Full Address)  
being a member/members of Sunright Limited (the “Company”), hereby appoint

Name	NRIC/Passport Number	Proportion of Shareholdings (see Note 3)	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings (see Note 3)	
		Number of Shares	%
Address			

or failing either or both of the persons referred to above, the Chairman of the AGM, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM to be held at Meeting Room 326, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 21 November 2022 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy(ies) to vote for or against, or abstain from voting the resolutions proposed at the AGM as indicated hereunder. If no specific direction in respect of a resolution is given or in the event of any item arising not summarised below, my/our proxy(ies) may vote or abstain from voting at his/her discretion.

Resolutions	For*	Against*	Abstain*
<b>Ordinary Business</b>			
1. Adoption of the Directors’ Statement and Audited Financial Statements together with the Auditor’s Report thereon			
2. Re-election of Mr Kenneth Tan Teoh Khoo as Director			
3. Re-election of Mr Daniel Soh Chung Hian as Director			
4. Approval of Directors’ fees			
5. Re-appointment of Auditor and authorisation for Directors to fix their remuneration			

\* You may tick (✓) within the relevant box to vote for or against, or abstain from voting, in respect of all your shares for each resolution. Alternatively, you may indicate the number of shares that you wish to vote for or against, and/or abstain from voting, for each resolution in the relevant box.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2022

<b>Total Number of Shares Held</b>	
------------------------------------	--

\_\_\_\_\_  
Signature(s)/Common Seal of Member(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**IMPORTANT: PLEASE READ THE FOLLOWING NOTES.**

**Notes:**

1. If a member has ordinary shares in the Company entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of ordinary shares. If a member has ordinary shares in the Company registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of ordinary shares. If a member has ordinary shares entered against his/her/its name in the Depository Register and ordinary shares registered in the Register of Members, he/she/it should insert the aggregate number of ordinary shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the ordinary shares held by the member.
2. A member is entitled to appoint proxy(ies) to attend, speak and vote at the AGM on his/her/its behalf. A proxy needs not be a member of the Company.
3. A member (who is not a Relevant Intermediary) is entitled to appoint not more than two proxies. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.  
  
“Relevant Intermediary” has the meaning as ascribed to it in Section 181 of the Singapore Companies Act 1967.
4. A member who is a Relevant Intermediary, is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
5. Where a member appoints proxy(ies), he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the proxy(ies) may vote or abstain from voting at his/her/its discretion.
6. A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.
7. The **Proxy Form must be duly completed, signed and submitted** in the following manner:
  - (a) by posting to Sunright Limited, c/o Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (b) by email to [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com),in either case, **by 10.00 a.m. on 18 November 2022**, being 72 hours before the time appointed for holding the AGM.
8. Appointment of proxy(ies) shall not preclude a member from attending, speaking and voting at the AGM. The appointment of proxy(ies) shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person(s) appointed under the relevant Proxy Form, to the AGM.
9. The Proxy Form must be signed under the hand of the appointor or of his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
10. Where Proxy Form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which it may be treated as invalid.
11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Singapore Companies Act 1967.
12. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons be present at the AGM, the person whose name stands first on the Register of Members or in the Depository Register (as the case may be) shall alone be entitled to vote.
13. Any alteration made to the Proxy Form should be initialled by the appointor who signs it.
14. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (including any related attachment). In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any Proxy Form lodged or submitted if the member, being the appointor, is not shown to have ordinary shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
15. Any reference to a time of day is made by reference to Singapore time.





**SUNRIGHT LIMITED**  
(COMPANY REG. NO. 197800523M)

1093 Lower Delta Road  
#02-01/08  
Singapore 169204  
Tel : (65) 6272 5842  
Fax : (65) 6276 8426