



ANNOUNCEMENT

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
PRE-SUBMITTED BY SHAREHOLDERS IN RELATION
TO THE COMPANY'S 43RD ANNUAL GENERAL MEETING ("AGM") TO BE HELD
BY ELECTRONIC MEANS ON MONDAY, 22 NOVEMBER 2021 AT 9:30 A.M.**

The Board of Directors ("Board") of Sunright Limited (the "Company") would like to thank shareholders for pre-submitting their questions ahead of the Company's AGM.

The Board is pleased to provide its responses to the substantial and relevant questions received by the Company, as follows:

QUESTIONS

RESPONSES

Q1. Can the management share on their outlook for the industry and how we are positioning the company for the next 5 years?

The evolution of electric vehicles to autonomous vehicles is a major growth driver for the semiconductor industry. The development in digitalization involving 5G, AI, data centers, etc. is another expanding market segment which Sunright prioritises its focus on. There is no compromise for safety and reliability for these products and devices need to be tested and burn in.

Q2. What is the progress with our new systems level solutions for our customers? Which industries do potential customers belong to and what kind of revenue outlook can shareholders expect?

The automotive market is our focus. SLT for communication and computing are major markets as well. Sunright stays relevant through innovation and will respond to new opportunities.

Total semiconductor revenue projected for 2021 & 2022 are significantly higher, but it does not seem to benefit us, any strategic plan in place to win more market share? Expansion or Consolidation.

The miniaturization and integration of semiconductors will give rise to emerging new devices bringing new requirements for test and burn in.

- Q3. There has been much mentioned on the newly developed System Level Test (SLT). The financial benefits however has not been so evident in the recent financial statements. I do understand that such systems do take time to gain traction before its benefits would be shown financially. **Hence, I would like to ask, what is the expected financial benefits of the SLT and if possible are you able to provide a projection the financial effects of the SLT?** Specifically, I am interested to know the Profit Margins of the SLT and its expected contribution towards the company's revenue in the near future.
- Sunright is enlarging its "burn in and test" capability from packaged chip to module testing. This evolution requires additional tests and such test validations could be performed at system level or "SLT" in short. Depending on the success of the market reception for our customers' products, order size may increase. Our contribution margins would improve with bigger order size.*
- Q4. How much does SLT contributes to the company top line by %?
- SLT is new and contributes marginally to the Group in FY2021.*
- Q5. Sunright revenue has been declining since 2018. Is the management optimistic in increasing the revenue much higher than 110mill or will the company stagnant at this level for the next 3 years?
- As the world prepares its transition to endemic and the digital era, Sunright is well-positioned for post-COVID recovery and for the long-term growth.*
- Q6. How much of the company revenue is recurring biz vs equipment or project sales?
- Generally 40% are recurring revenues, with the balance through aggressive sales and marketing efforts.*
- Q7. What % of our revenue comes from Automotive customers?
- About 50%-60% of our revenue comes from Automotive customers.*
- Q8. Revenue has increased 1% but profit has dropped from \$1.7mil to \$1.3mil, does not mean that we did not capture the higher margin business?
- Included in net profit of last financial year was a one-off tax gain relating to reversal of deferred tax liabilities (see Note 20 (c)). No such gain was recorded in the current financial year.*

- Q9. Any potential target/s for Mergers & Acquisitions ?
Any plan on Privatization?
- The Board will review various options as and when there are any and an announcement will be made if a decision to pursue any corporate exercise is made.*
- Q10. If above plans aren't imminent, will company hike dividend payout?
- The Company's dividend policy aims to balance yield with capital growth to build shareholders' value over the long term. As such, the Board adopts a flexible approach in deciding on the declaration of dividend whilst balancing with the Company's needs to retain earnings to support growth prospects. The Board takes into account various factors such as its profitability, cash flow, retained earnings, projected business and financial performance, working capital requirements and general financing conditions, operating environment and general business conditions, projected level of capital expenditure and expansion plans, investment plans, restrictions on the payment of dividends imposed on the Company etc.*
- Q11. Can the company be more generous with dividend payout or make some capital distribution since the company has been hoarding cash for a long time. This has resulted in very poor company ROE and may deter potential investors from investing in Sunright.
- The Company has sustained its dividend rate despite a lower profit. We are declaring a dividend of 0.3 cent per share, representing a 28% payout.*
- Q12. What is the succession plan of the company? Is there a younger generation waiting in the wings to helm the company in the near future?
- The Group operates globally and is managed locally. Its management bench has undergone leadership renewals over the last 4 decades.*

- Q13. What's the expected CAPEX projected for 2022?
- CAPEX spending is expected to be higher than past years, to fill the expected ramp and acute chips shortage that the industry is facing. However, these plans may be reduced by the incessant drag in material supplies caused by supply chain disruption and the present pandemic.*
- Q14. Will there be Capital Expense for upcoming Financial Year to improve on efficiency & productivity?
- Our capital expenditure plan includes items for factory productivity and efficiency.*
- Q15. With reference to the Statement of Financial Position and Income Statement, Cash and short-term deposits between FY20 and FY21 has not had a stark difference. However, under Interest Income, there has been a significant decrease from 2,349k (FY20) to 1,451k (FY21). **May I query why has there been such a significant decrease in Interest Income**, that is not proportional to the decrease in Cash and Short Term Deposits as per what has been stated under Point 16?
- The decrease in interest income was mainly due to lower interest rates on placements of fixed deposits, as disclosed in the full year results announcement.*
- Q16. With reference to the income statement, I have noted that Non-Controlling Interest (NCI) takes a significant portion of the Profit Net of Tax. I had previously assumed that it would be a fixed proportion of the profit net of tax, correlating to the Proportion of ownership held by NCI (Point 12(b)). However, having cross-referenced to previous years Annual Reports, it would seem that it is not the case. Hence, **may I query how is the profit attributable to NCI calculated?**
- The profit attributable to NCI is based on the proportion of ownership held by NCI, adjusted for certain consolidation adjustments.*
- Note that in Note 12(c) of the financial statements were amounts before inter-company elimination.*

Q17. The NCI is allocated a significant proportion of the profits net of tax, which is unique to me across my investments. Additionally, it would seem that the NCI does not hold any outstanding shares in the company. Hence, I would like to enquire, for my personal evaluation of the Net Asset Value (NAV) per share of the company, would it be accurate of me to assume that the NAV/share is simply calculated by NAV/outstanding shares (122,806,000)? Or should I consider that a proportion of the NAV (assuming 52% with reference to Point 12(b)) should be excluded first before dividing by the total number of outstanding shares, as per how the Earnings per share is calculated?

The NAV per ordinary share attributable to owners of the Company is calculated based on Total equity attributable to owners of the Company (\$84,084,000), divided by outstanding shares (122,806,000).*

**See page 59 of the Annual Report 2021*

Q18. What % of our revenue is used for R&D purposes?

As we do not undertake pure research work, our engineering development and innovation costs are expensed.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary

20 November 2021