

SUNRIGHT

SUNRIGHT LIMITED

(COMPANY REG. NO. 197800523M)



ANNUAL REPORT

2021

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



AUTOMOTIVE



COMPUTING



CONSUMER



INDUSTRIAL



DATA
PROCESSING



CLOUD
COMPUTING



COMMUNICATIONS



INTERNET OF
THINGS

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



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SERVING LEADING SEMICONDUCTOR MANUFACTURERS IN THE WORLD

KEEPING PACE WITH THE RAPID ADVANCEMENT OF TECHNOLOGY



DEVELOPED A STRONG INNOVATION CULTURE



COMBINED A BROAD ARRAY OF TECHNOLOGIES FOR BURN-IN, DIGITAL AND MEMORY TESTING



CONTINUE TO STRATEGICALLY INVEST AND DEPLOY RESOURCES

DEAR FELLOW SHAREHOLDERS

FY2021 has proven to be even more challenging than the last. The entire year was enveloped by COVID-19 Pandemic with massive systemic disruptions for businesses world-wide. Consequently, we experienced production interruptions, supply chain disruptions and delivery deferrals. But despite all these, we remained profitable.

We established three priorities to guide us through the year: keep our employees safe, meet the needs of our customers and prepare Sunright for recovery.

FINANCIAL HIGHLIGHTS

The Group's revenue improved marginally by 1 percent to S\$111.4 million in FY2021, from S\$110.6 million a year ago. We registered a net profit of S\$1.3 million for the financial year just ended. This represented earnings per share of 1.1 cents as compared to 1.4 cents in FY2020.

INNOVATION CONTINUUM

Sunright has developed a strong innovation culture. This is necessary. We serve leading semiconductor manufacturers in the world and keep pace with the rapid advancement of technology.

The System Level Test "SLT" is a case in point. It was successfully developed and delivered with complete test capability, complementing the sales of our existing products and services. This kept us on an even keel. Besides SLT, we also developed a new system design for live intermittent testing to perform at different temperatures. This is a process used to ensure the reliability of devices used in electric vehicles "EV". We also added another intellectual property to our library of patents to protect the uniqueness of our test and burn-in design technologies. This continuum of innovation ensures that we will continue to be a valued player, in the world of EV and autonomous vehicles "AV" in which there is absolutely 'zero tolerance' for device failures. This is also true for the communications systems industry, whose chips must not fail in data, voice and video transmissions.

RE-MAKING SUNRIGHT

Sunright sees a vision of the post-COVID era, with megatrends towards EV, AV and digitalisation.

Sunright has come a long way providing test and burn-in service to becoming a leading solution provider. We combined a broad array of technologies for burn-in, digital and memory testing, and pick & place automation to offer SLT solutions for module testing.

SLT TEST AND BURN-IN SOLUTIONS

Device complexity and the continuing drive for a higher level of quality in devices is changing semiconductor manufacturing test methodologies to reduce test costs. SLT which test for failures in hardware and software traditionally at the module level is gaining popularity. These modules serve as electronics systems for products such as Internet of Things "IOT", wearable gadgets, 5G infrastructure, EV, data centers, Artificial Intelligence, computer etc. Towards this end, Sunright will continue to strategically invest and deploy resources in the coming years.

LEADERSHIP RENEWAL

On 1st February 2021, we welcomed Ms Sandy Foo Fei Ying to our Board, as a new Independent Non-Executive Director. Sandy is an acclaimed corporate lawyer and partner of a major law firm in Singapore and South-east Asia.

On the same date, our two long-serving Directors, Ms Lim Mee Ing and Mr Francis Lee Choon Hui, retired as Non-Executive Directors. Both

had contributed much to Sunright's corporate development and governance. I wish to record our deep appreciation for their individual contributions, guidance and wise counsel.

ENHANCING SHAREHOLDERS' VALUE

Sunright continues to position itself for post-COVID recovery and for long-term growth. Along the way, we will progressively and incrementally enhance shareholders' value. This will be done by adopting our successful business model of "systems and service", which have enabled us to overcome each crisis which we encounter.

In appreciation for your loyal support, the Board is recommending a first and final tax exempt dividend of 0.3 cent per ordinary share, subject to the approval at the upcoming Annual General Meeting on 22nd November 2021.

ACKNOWLEDGEMENTS

On behalf of our Board, I wish to thank our shareholders, bankers, suppliers, customers, our loyal employees and stakeholders, for all your confidence and support, as we navigate through this Pandemic and look forward to fairer skies ahead.

Sincerely

SAMUEL LIM SYN SOO

Executive Chairman & Chief Executive Officer
27 September 2021



System Level Test System

Despite the impact of COVID-19 Pandemic, the fundamental market drivers are still in place. Chips still need testing and burn-in. Our test and burn-in solutions benefited from the introduction of new generation chips for 5G infrastructure, EV, data centres, Artificial Intelligence etc. requiring to operate at a faster pace.

We worked with a major customer to provide a customized solution for testing of their advanced processor chips with high I/Os for cloud computing and communication applications. This creative design generates and tests high speed interconnection between computing and memory cells, providing quick data transfer for complex signals.

On a separate development, we completed the installation of a large scale SLT testing for another major customer. This system tests very complex devices used in high temperature for EVs. In parallel, we took on yet another inspiring opportunity to design and install a burn-in reliability test system for devices used in EVs. All these activities were carried out in full satisfaction of our customers during this Pandemic period.

Test and burn-in for high performance computing devices and automotive brings exciting opportunities for Sunright. Test time for devices may take a minute to 10 minutes. Burn-in typically takes hours. Combining test and burn-in brings opportunities to shift some test contents into burn-in for the SLT operation which incorporates tests that would not be possible to achieve in ATE testers. The optimum deployment of testing into SLT would depend on the semiconductor test methodologies. Reliability matters!



SAMUEL LIM SYN SOO

Chairman and
Chief Executive Officer
Age: 67

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: 16 November 2018

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: 64

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.
- 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.
- 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.

Relationship between Directors, Key Executives or Substantial Shareholder

Nil

BOARD OF DIRECTORS



DANIEL SOH CHUNG HIAN
Lead Independent Director
Age: 67

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

- Lum Chang Holdings Limited
- British and Malayan Holdings Limited
- Vicom Ltd

Directorships in Non-Listed Companies

- British and Malayan Trustees Limited

Major Appointments (other than Directorships)

- Nil

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

- JDJ Investment Pte Ltd

Relationship between Directors, Key Executives or Substantial Shareholder

Nil



TIMOTHY BROOKS SMITH
Independent
Non-Executive Director
Age: 79

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: 48

First appointment as a Director: 1 February 2021

Last re-appointment as a Director: Nil

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) 5th and 6th 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

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.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
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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

STOCK EXCHANGE LISTING

Listed on 20 October 1994
on SGX Main Board

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

[GRI 102-14]

FY2021 continued to be a challenging year, as ongoing waves of outbreaks caused by the emergence of variants continued to disrupt lives and businesses around the world. Amidst the changes to the operating environment, Sunright remained steadfast in our sustainability commitments, leveraging our robust risk management strategies to maintain business continuity and secure long-term financial sustainability.

The Board is accountable and responsible for identifying and overseeing key sustainability matters. These are continually reviewed to ensure their relevance through close interaction with management and ensuring its functioning.

Our strong management teams and financial position have helped to largely mitigate the impacts of COVID-19. While the outlook and future of our economy may be uncertain, we will remain resilient and robust, continuing to improve upon our sustainability efforts that enable us to support and meet the expectations of our stakeholders.

ABOUT SUNRIGHT LIMITED

[GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7]

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 102-50, 102-51, 102-52, 102-53, 102-54, 102-56]

This is Sunright's fourth annual Sustainability Report, for the period of 1 August 2020 to 31 July 2021 ("FY2021"). Where applicable, historical performance data is also included for comparative purposes.

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. 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 Singapore¹, Malaysia² and China³. These entities provide burn-in and testing services, electronics manufacturing services, 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.

SUSTAINABILITY: GUIDING OUR WAY FORWARD

[GRI 102-18]

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.

¹ Sunright Limited and KES Systems & Service (1993) Pte Ltd

² KESM Industries Berhad, KESP Sdn. Bhd. and KESM Test (M) Sdn. Bhd.

³ KESM Industries (Tianjin) Co., Ltd

SUSTAINABILITY REPORT




Our established sustainability governance structure helps facilitate the management and oversight of this agenda. The Board and Executive Directors are responsible for the review and approval of Sunright’s directives for sustainability programmes. These directives are implemented and overseen by Local Management, with Heads of Department responsible for collection of relevant data for the individual company’s sustainability-related performance metrics. The consolidated sustainability information is then presented to Sunright’s Executive Directors and to the Board, for review and calibration of the sustainability policies and practices where necessary.

STAKEHOLDER ENGAGEMENT




[GRI 102-40, 102-42, 102-43, 102-44]

Our key stakeholders are identified as those having significant impact on as well as are 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
SHAREHOLDERS				
	<ul style="list-style-type: none"> Sunright’s financial health and industry reputation Sustainability performance 	<ul style="list-style-type: none"> Provide regular and timely updates about Sunright’s performance to enable shareholders, such as KWAP⁴ to make informed investment decisions 	<ul style="list-style-type: none"> Press releases Announcement Annual report Annual General Meeting Analyst/investor meetings 	<ul style="list-style-type: none"> Periodic Half yearly Annual Annual As necessary
CUSTOMERS				
	<ul style="list-style-type: none"> Service and product quality Timely delivery 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Industry forums Customer satisfaction surveys and scorecards Customer visits to our plants 	<ul style="list-style-type: none"> Frequent Periodic As necessary
EMPLOYEES AND OUTSOURCED WORKERS				
	<ul style="list-style-type: none"> Fair employment and well-being Occupational health and safety Training and development 	<ul style="list-style-type: none"> Implement non-discriminatory Human Resources (“HR”) policies Provide deserving remuneration, welfare and benefits Provide relevant trainings (safety and job specific) 	<ul style="list-style-type: none"> Electronic updates and newsletters Annual performance appraisals Company events and staff bonding sessions Trainings 	<ul style="list-style-type: none"> Periodic Annual Periodic Periodic

⁴ KWAP is Malaysia’s largest public services pension fund and a key shareholder of KESM Industries Berhad.

	Key areas of concern	Stakeholder management	Engagement platforms*	Frequency of management
CONTRACTORS AND SUPPLIERS				
	<ul style="list-style-type: none"> • Business opportunities • Feedback on performance 	<ul style="list-style-type: none"> • Conduct fair suppliers' screening process • Conduct regular supplier's evaluation process 	<ul style="list-style-type: none"> • Project tenders • Supplier evaluation meetings 	<ul style="list-style-type: none"> • As necessary • Periodic
REGULATORS				
	<ul style="list-style-type: none"> • Compliance to regulatory requirements 	<ul style="list-style-type: none"> • Keeping abreast with the latest regulatory requirements 	<ul style="list-style-type: none"> • Statutory reporting 	<ul style="list-style-type: none"> • Compliance to regulatory requirements
LOCAL COMMUNITY				
	<ul style="list-style-type: none"> • Corporate Social Responsibility ("CSR") initiatives • Employment opportunities 	<ul style="list-style-type: none"> • Participate in CSR activities • Provide employment opportunities through our business 	<ul style="list-style-type: none"> • CSR programmes • Teaming with local technical institutions for job training and internship opportunities 	<ul style="list-style-type: none"> • Periodic • Annual

* Due to safe distancing measures in view of the ongoing COVID-19 situation, Sunright's stakeholder engagement has switched to virtual communication platforms wherever possible (e.g. virtual staff bonding sessions and virtual plant visits). Strict safe distancing measures are put in place for activities that are required to be carried out in person such as on-site audits.

MATERIALITY ASSESSMENT

[GRI 102-46, 102-47]

Sunright conducted its first materiality assessment alongside its inaugural sustainability report for FY2018. This involved a critical examination of Sunright's forward-looking business strategy as well as the business environment and market landscape. A list of potential material issues was prioritised through a stakeholder survey that evaluated the significance of the impact of each issue from the perspectives of both the stakeholder's appointed role at the company and external stakeholders. The final list of matters was subsequently validated and approved by the Board (Figure 1).

Sunright conducts annual reviews of its material matters, taking into account emerging global and industry-relevant ESG trends, to ensure it continues to consider critical sustainability matters relevant to its business across the years. Accordingly, the Board reviewed the sustainability material matters for FY2021 and determined all material matters remain relevant to our business. Sunright is cognizant of the significant environmental and social impacts our operations may have which might raise other sustainability matters of investor concern (e.g. hazardous materials consumption, water and effluent management etc.). While these matters have not been assessed to be material to Sunright at the present moment, we are committed to reducing our environmental footprint wherever practicable and have strict management systems and internal controls in place to manage our sustainability matters.

SUSTAINABILITY REPORT

Figure 1: Sunright's Materiality Assessment Process

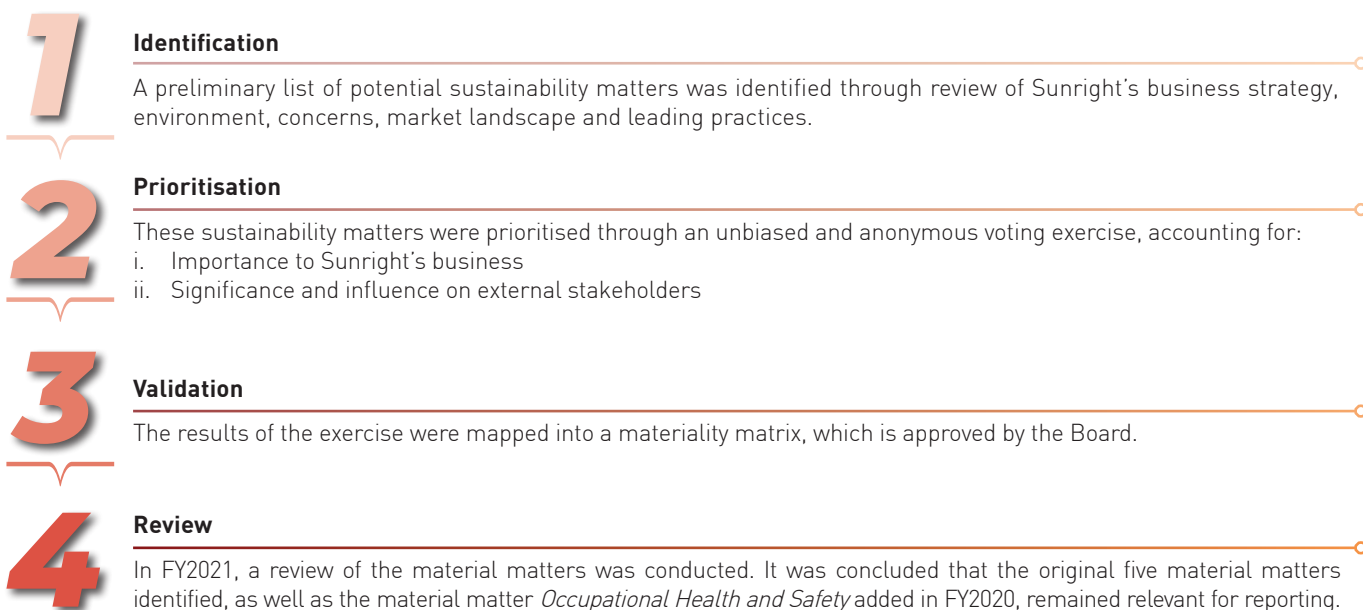
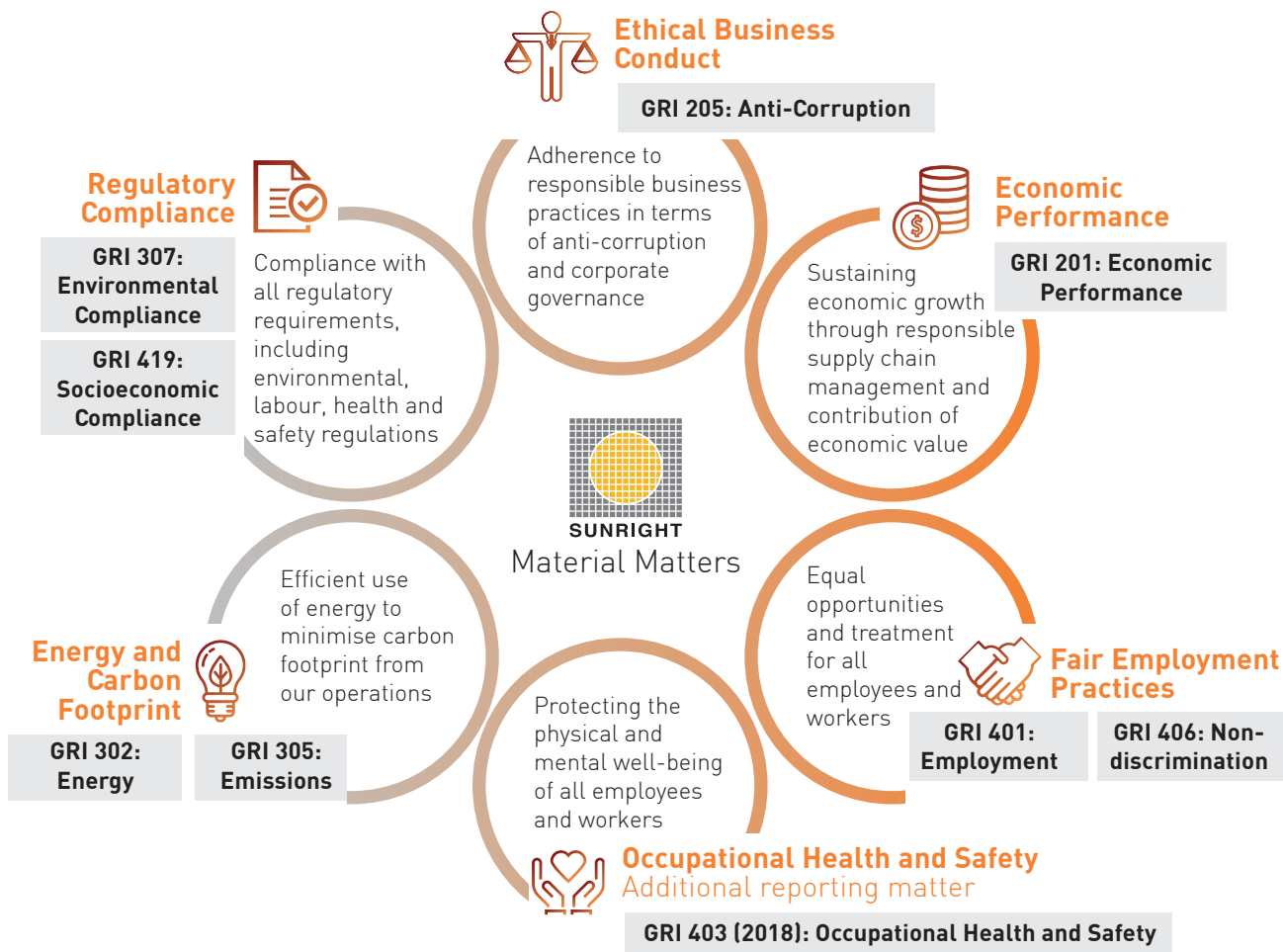


Figure 2: Sunright's Sustainability Matters and Corresponding GRI Topics



MANAGING THE IMPACTS OF COVID-19

As COVID-19 continued to rage around the world, we maintained our resilience and agility amidst the ever-evolving situation. In FY2021, physical lockdowns and movement restrictions across our business operations, such as the series of Movement Control Orders (“MCO”) imposed by the Malaysian authorities and calibrated restrictions in response to the pandemic situation imposed by the Singapore government, continued to exert pressure on Sunright to maintain normal business operations.

The safety and well-being of our employees remained our top priority. We ensured 100% compliance with all COVID-19 prevention guidelines in the countries we operate in and continued to put in place health and safety measures such as safe distancing and regular disinfection of work areas. To care for our employees’ well-being in these times, surgical masks, gloves and sanitisers are also made available to all employees. Additionally, we plan to introduce self-testing kits for our employees in our factories in Malaysia.

With more than a year into the pandemic, Sunright has refined our business development plans and work processes to adapt to the new normal, continuing to work closely alongside and support our stakeholders through these difficult times. We are heartened that one of our subsidiaries was recognised with an award by its customers for the support provided.

Regulators

As Singapore and Malaysia continued to be affected by new waves of COVID-19 in FY2021, the relevant authorities have responded by implementing tighter regulations as and when necessary. Drawing on our experience from the previous year, Sunright already had strategic business continuity plans that could be readily implemented to ensure that our business operations were not significantly affected. We adhered to tightened measures as and when required by the Ministry of Manpower (“MOM”), Ministry of Trade (“MTI”) and Ministry of Health (“MOH”) in each of the countries we operate in, to continue our facility operation.

As such, our factories were given the green light to operate in China, and in Malaysia albeit with headcount restrictions. In FY2021, we passed all audits and inspections conducted by the relevant regulatory authorities in Singapore (MOM), Malaysia (Director-General of Health, National Registration Department and Ministry of International Trade and Industry) and China (Xiqing Economic and Technological Development Area).

As we operate across these three countries, we adhered to the strict regulations and cooperate with the local authorities by following all control measures such as twice-a-day temperature taking, wearing of face masks, proper sanitization procedures and social distancing. We will continue to monitor the situation closely and update our safety management procedures as required.

Figure 3: Officers from Malaysian regulatory authorities conducting audits and inspections



SUSTAINABILITY REPORT

Employees and Workers

Sunright is committed to ensuring the job security of our employees despite the depressed economic situation brought about by the crisis. In Malaysia, the extended MCOs ("EMCO"), that limited our operations with headcount restrictions, had led to some forced leave arrangements. Work-from-home arrangements were adopted, particularly for employees situated in areas where the EMCO had been declared by the government, whilst split-team arrangements remained in place, where necessary. Additionally, accommodations were provided to employees in Singapore who were unable to return to Malaysia due to the travel restrictions. We continue to monitor the situation closely, exercising prudence as necessary to protect jobs and livelihoods. We also provided COVID-19 relief allowance for our employees to help them tide through these difficult times.

Sunright continues to offer flexible work arrangements, and strictly implement headcount restrictions at our physical operation sites and offices. All necessary actions to safeguard health and safety in worker accommodations and transportation were implemented through enhanced cleaning and disinfection.

Figure 4: Cleaning and disinfection conducted at workers' accommodation



Figure 5: Disinfection and safe distancing maintained in worker transportation



At our operation sites, we deployed response teams on standby and procured ample medical supplies such as face masks, gloves, hand sanitisers and thermometers for our workers. All our employees are strictly required to follow our Standard Operating Procedures ("SOP") developed by a safety team relating to regular disinfection, temperature taking/declaration, and reporting of possible interactions with possible COVID-19 patients.

In Malaysia, due to high level of COVID-19 cases across the country, we conducted mass screening for all employees, including canteen staff, cleaners and staff under vendor permits, to ensure continuance of a safe working environment in our factories and offices.

Figure 6: Cleaning, disinfection and safe distancing measures put in place



Figure 7: Mass screening for employees



For our office staff, we abided by the local regulations and instituted work-from-home arrangements where possible to minimise physical interactions among our staff. We also ensure that employees working from home are well equipped with a laptop or computer and access to company data via a secured internet connection. Additionally, regular online bonding sessions were carried out by managers for individual departments, hence uplifting mental health.

We also keep employees updated regularly on the latest COVID-19 developments and work arrangement plans through regular staff communications. For example, in China, plant-wide epidemic prevention training is conducted for all employees while educational videos are shared on television screens in all work sites to raise awareness and encourage them to seek help from government websites and hotlines, and speak with managers, should they be experiencing any emotional stress.

In June, the Singapore government announced a COVID-19 cluster at a food centre near our Singapore factory. Sunright took immediate action to safeguard our employees and immediately provided COVID-19 self-testing kits for our operational staff who were identified as close contacts of the cluster. Though our employees tested negative, we also stepped up sanitisation of high-touch areas of the factory during this period, and strictly ensured no crossover of staff working on different floors.

Figure 8: COVID-19 Prevention videos



SUSTAINABILITY REPORT

Shareholders

We ensure that all queries by shareholders are addressed in a timely manner, including sharing prospects that are announced by the Board and Executive Directors through the relevant communication platforms. We continue to build financial resilience to maintain shareholder payouts, and also ensured that we cut down on unnecessary costs and implement cost-control measures, so as to sustain recovery and profitability.

Suppliers and business partners

The COVID-19 crisis prompted authorities all over the world to declare lockdowns in many countries, resulting in a slowdown in global logistics. We stepped up communications with local suppliers and engaged in discussions on negotiations and contracts. Maintaining those key lines of communication with our suppliers helped ensure that we had the flexibility in meeting our supply needs quickly despite the disruptions.

Customers

The slowdown in recovery from customer demand remains a key challenge for us to overcome. We continue to maintain a close working relationship with our clients via online platforms to keep track of the progress of our projects with them, and gather feedback on our products and services. We also strictly ensure we meet service obligations through delivery of critical products while maintaining high standards of quality.

Community

COVID-19 affects not only our shareholders but also the community at large. We seek, through the approximately 2,100 workforce, to carry the message of "staying safe, healthy life" to their spheres of influence.

BUILDING AN ETHICAL CULTURE

[GRI 102-12, 102-16, 205-2, 205-3]

Sunright values the trust that our stakeholders put in us and aim to maintain the long-term relationships that we have developed with them. We seek to uphold our reputation as a fair and equitable business with zero tolerance for fraud, bribery and corruption. This is governed by our comprehensive Code of Conduct (the "Code") which was developed based on the Responsible Business Alliance⁵ ("RBA") Code of Conduct. The Code of Conduct defines the values and principles that guide how we manage our business and engage in business dealings.

Our responsible business practices extend to parties with whom we conduct business. We uphold the principles of honesty, ethics and integrity in our interactions between personal and professional parties. Clients and major suppliers are informed of Sunright's long-standing policy upon engagement on kickbacks, soliciting gifts, and entertainment of favour in return for business deals and we emphasise the importance of compliance to them. We do not condone any form of dealings that could cause potential conflicts of interest for our organisation.

Just as we expect our business partners to conduct their business responsibly, we also expect our employees to be aligned with these principles and values, and adhere to all standard policies in the course of their work. Relevant policies and protocol under the Code are communicated to all employees via annual briefings, emails and letters while new employees in Singapore also undergo training on these procedures as part of their orientation process. Our Board Members and business partners also receive timely communication updates and training on our anti-corruption and whistle-blower policies and procedures. To ensure these values are imbibed in our workers, posters are put up within our facilities and workspaces, or otherwise easily accessible in shared file servers, to remind our employees on the importance of ethical conduct. We adopt a strong stance against any violation of our policies and will enforce strict disciplinary action to the extent of employee dismissal.

In FY2021, 902 employees have been communicated to and 439 have received training on anti-corruption policies, translating to about 98% and 48% of all employees respectively.

⁵ Responsible Business Alliance ("RBA") is a nonprofit coalition consisting of electronics, retail, auto and toy companies committed to supporting the rights and well-being of workers and communities worldwide affected by the global electronics supply chain.





Responsible Business Alliance Code of Conduct (“RBA”)

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 2: Sunright’s Policies relating to Business Ethics and Anti-Corruption

Name of Policy	Policy Description
<p>Whistleblower Policy</p> 	<p>Sunright has a Whistleblower Policy (“Policy”) which applies to all directors and employees. The Policy, alongside internal controls, operating procedures and governance policies intended to detect and prevent or deter improper conduct, aims to encourage and protect the identity of any employee who provides information on potential improprieties (e.g. wrongdoing or misconduct).</p> <p>The specific objectives of the Policy are as follows:</p> <ul style="list-style-type: none"> i. To encourage employees to confidently raise genuine concerns about possible improprieties, ii. Provide ways for employees to raise concerns and receive feedback on any actions taken as a result, and 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 victimization.
<p>Grievance Handling Policy</p> 	<p>In the interests of industrial efficiency and stability in performance, the Grievance Handling Policy and the accompanying grievance mechanism procedure were formulated to ensure grievances are handled at the lowest corporate level possible. Grievances can include any violations or threats on fair and humane treatment such as prohibition of sexual harassment, abuse (mental, physical or verbal), coercion, corporal punishment etc.</p>
<p>Business Ethics Policy</p> 	<p>Employees are prohibited to be associated with illegal cartel activities, illicit price-fixing, deception and undesirable social behaviour, as well as prohibited 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 a ‘fair deal’ basis. All employees shall impress upon business partners on the high business ethics standards, and refrain from providing or accepting bribes and kickbacks.</p>
<p>Purchasing Policy</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 3: Number of employees and business partners who received communication and training on anti-corruption policies in FY2021 by employee category

Category	Staff	Manager	Business partners: Customers, Suppliers, Agents
Communicated To			
	836	66	1,178
Received Training			
	405	34	341

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	FY2021 Performance
Ethical Business Conduct	0 confirmed cases of corruption within Sunright	Achieved

ENSURING STRICT COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

[GRI 307-1, 419-1]

Sunright ensures it is in strict compliance with the laws and regulations of all countries in which it operates, guided by the stringent Code of Conduct and includes all environmental and socioeconomic law and regulations.

Our policies are continually updated to reflect any changes in regulatory requirements. We constantly remind our staff of the importance of adhering to our Code of Conduct and the behavior expected of them during our training sessions and spreading these reminders digitally through our broadcast televisions and e-mail.

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.

Focus Area	Perpetual Target	FY2021 Performance
Regulatory Compliance	0 confirmed cases of non-compliance with environmental laws and regulations	Achieved
	0 confirmed cases of non-compliance with socioeconomic laws and regulations	Achieved

SUSTAINING ECONOMIC PERFORMANCE

Managing Supply Chains Responsibly

[GRI 102-9, 204-1]

As our operations involve the purchase of potentially sensitive raw materials such as 3TG metals (tungsten, tantalum, tin and gold) and printed circuit board ("PCB") manufacturing, engaging in sustainable procurement practices is key. Sunright's engagement with suppliers that practise responsible management of resources reduces our exposure to sustainability-related risks in our supply chain, such as poor labour practices, corruption, pollution to the environment and litigation and remediation costs. Furthermore, a robust and ethical supply chain management system contributes to the quality we promise to deliver to our consumers.

Sunright’s Purchasing Policy and Procedures are a set of guidelines that govern the screening, selection and management of our suppliers. 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 9: Purchasing Policy and Procedures

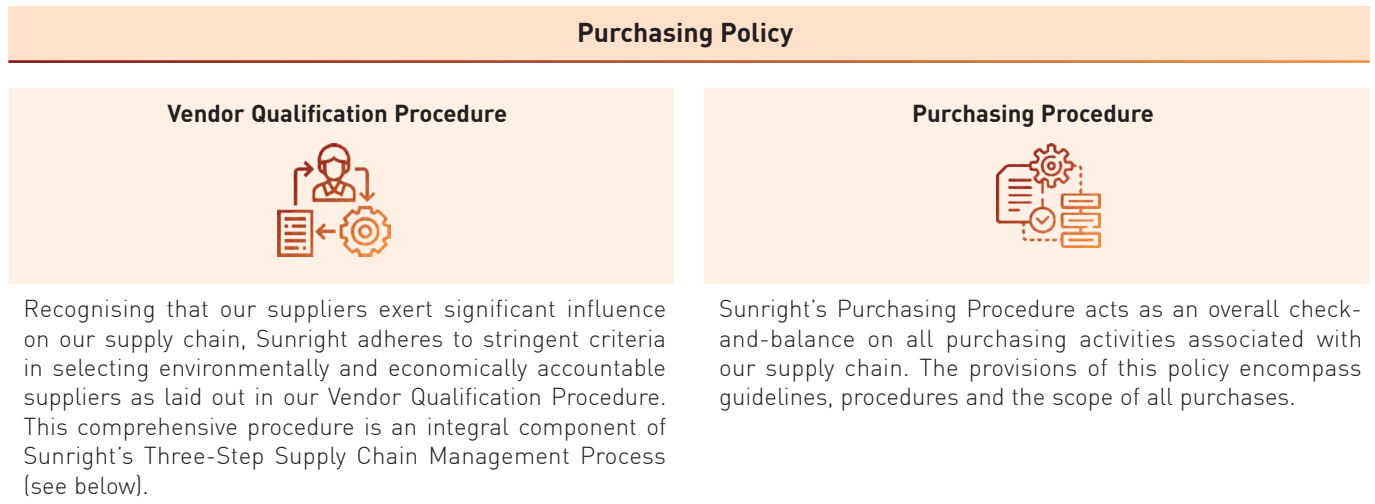
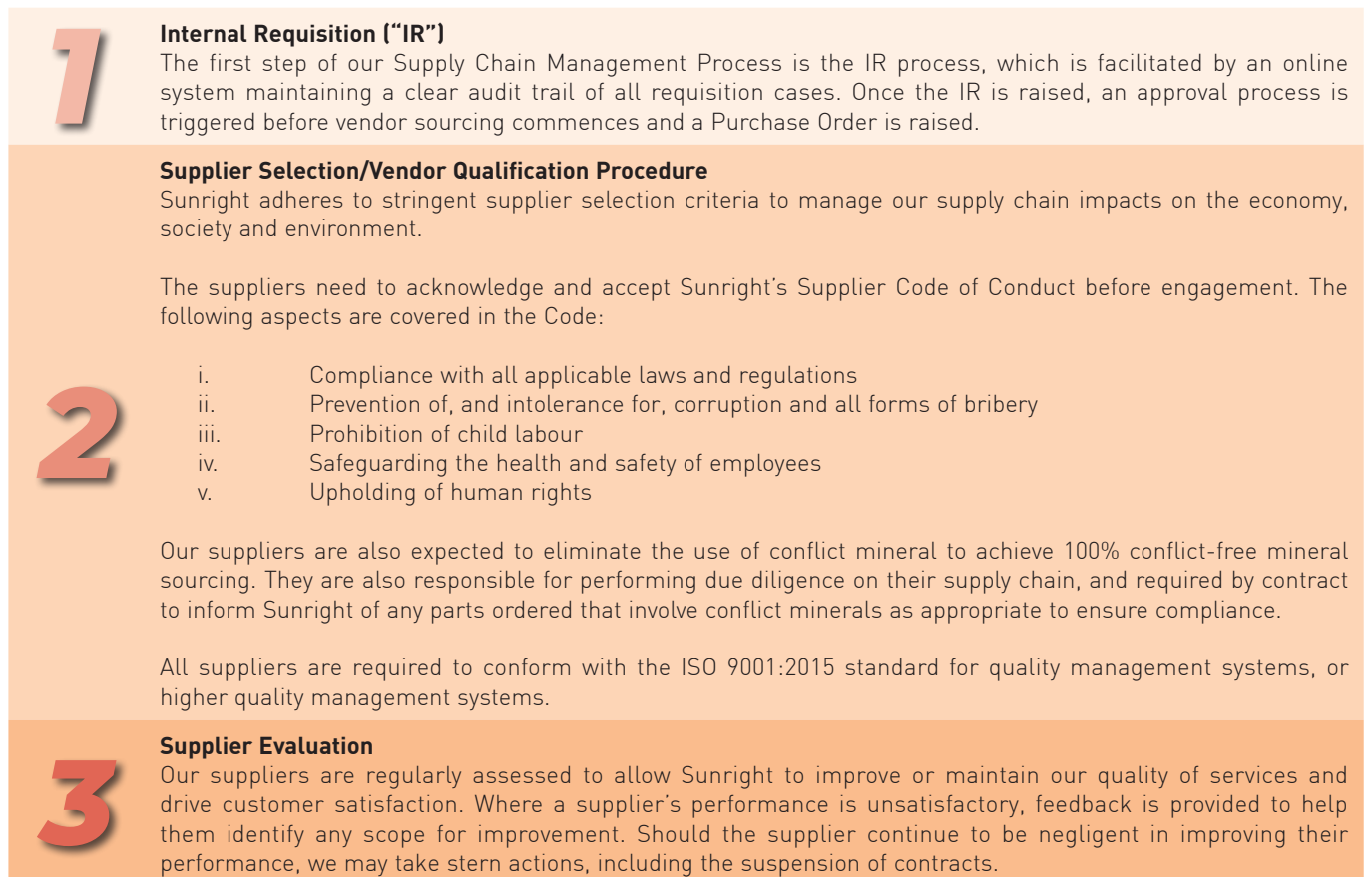


Figure 10: Sunright’s Supply Chain Management Process



SUSTAINABILITY REPORT

One key strategy of Sunright's procurement practices is to practise local sourcing of products and services as much as possible while accounting for pricing, lead time and supplier capability. Doing so allows Sunright to better manage our risks, increase sourcing efficiency and improves lead time. This sourcing strategy 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 FY2021, 73% of our procurement budget was used to purchase supplies locally in Singapore, Malaysia and China where we operate, which remains the same as FY2020.

Focus Area	Perpetual Target	FY2021 Performance
Responsible Supply Chain Management	At least 50% of all purchases are sourced locally ⁶	Achieved

Contributing Direct Economic Value

[GRI 102-7, 201-1]

In FY2021, Sunright generated approximately \$111.4 million in total revenue, an increase of \$0.8 million or 1%, from \$110.6 million in last financial year, in spite of a full year's operation under the pandemic's economic conditions.

FY2021 continued to prove challenging for Sunright. Many businesses in the semiconductor and electronics industry, including Sunright, were affected by disruptions caused by lockdowns as well as climate incidents such as flood, fire and jams at major ports and this has been reflected in our financial position for the year.

Despite these challenges, the International Organisation for Economic Co-operation and Development (OECD)'s Economic Outlook foresees brighter prospects for the world economy in the second half of 2021 and beyond as international cooperation on COVID-19 vaccines and effective public health strategies contribute to the recovery of the global economy⁷. Sunright maintains a cautious outlook and continues to strengthen and refine our business continuity plans where necessary, especially in the local context in which we operate. We are committed to constantly improving our business resilience and recovery and maintain a strong market position.

Table 4: Economic Value Generated, Distributed and Retained from FY2019 to FY2021⁸

	FY2019	FY2020	FY2021
Economic Value Generated (S\$'million)			
Revenue	133.6	110.6	111.4
Other income from financial investments	3.6	2.9	1.9
Sales of assets	1.0	3.2	2.5
Economic Value Distributed (S\$'million)			
Operating costs ⁹	(70.2)	(53.5)	(66.3)
Employee wages and benefits	(47.6)	(42.3)	(41.5)
Payments to providers of capital	(2.6)	(1.5)	(1.4)
Payments to governments	(1.3)	(1.5)	(2.4)
Economic Value Retained (S\$'million)	16.5	17.9	4.2

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

⁶ Local purchases refer to purchases made (except for production machineries) from locally registered companies, which supply trade and non-trade goods and services.

⁷ OECD Economic Outlook, May 2021

⁸ FY2019 to FY2021 figures include all companies within the Sunright Group.

⁹ Operating costs includes cash payments made outside the organisation for material cost, purchase of property, plant and equipment and other expenses.

DEVELOPING AN ENGAGED WORKFORCE & FAIR WORKPLACE

Sunright's Employee and Worker Profile

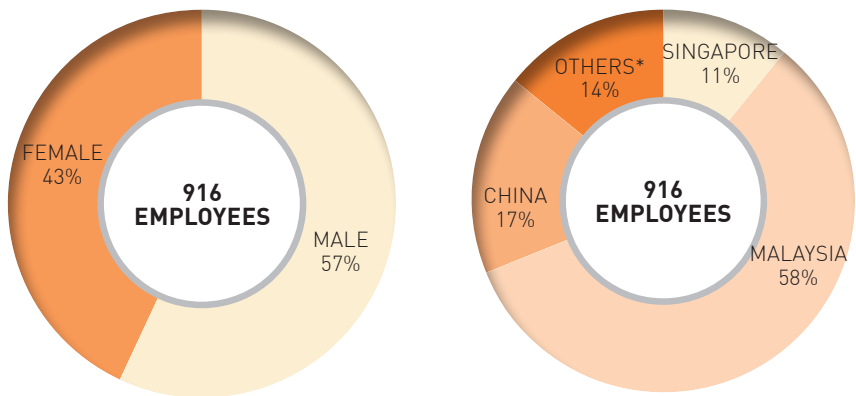
[GRI 102-7, 102-8, 401-1]

In FY2021, Sunright's workforce consisted of 916 employees and 1,226 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 94% 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 practice a meritocratic hiring policy, ensuring a well-balanced ratio of male and female staff.

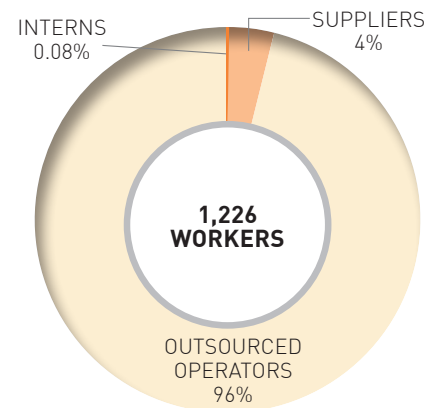
The following charts show our employee demographics by gender and region, as well as our worker demographics by employment category supporting Sunright's business activities.

Figure 11: Sunright's Employee Demographics by Gender and Region in FY2021



* Others include Indonesia, Philippines, Myanmar, Nepal, Sri Lanka and Vietnam

Figure 12: Sunright's Worker Demographics in FY2021



In FY2021, we hired a total of 536 new employees, a significant increase that aligns with the turnover of 581 employees. We are cognizant of the volatile job market in these times and will continue to monitor these statistics closely.

Figure 13: Sunright's New Hires by Gender, Age Group in FY2021

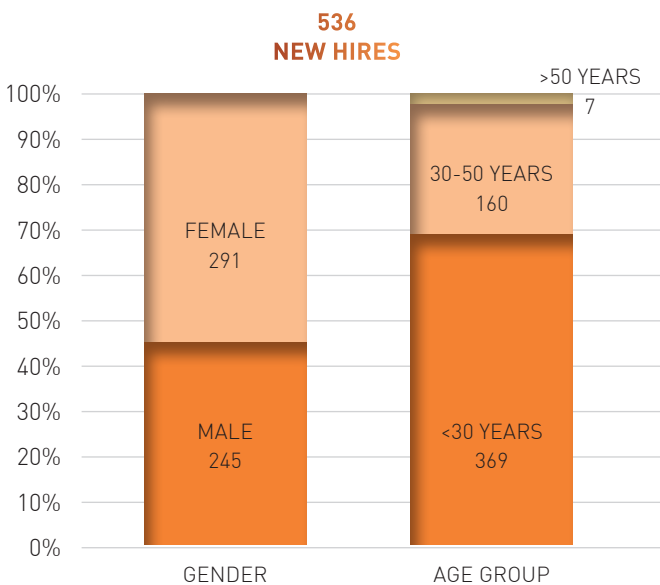
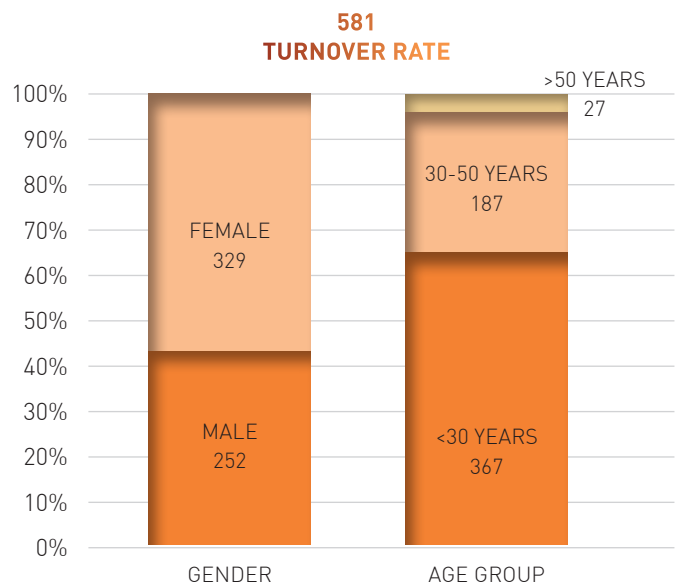


Figure 14: Sunright's Turnover by Gender, Age Group in FY2021



SUSTAINABILITY REPORT

Fair Employment Practices





[GRI 406-1]

At Sunright, our human capital is our greatest asset. Our policies have thus been developed to ensure that our employees' well-being and welfare are well taken care of. These policies are made readily available and accessible to all employees in organisation-wide shared folders.

Sunright is a proponent of fairness, respect and meritocracy. We practise a meritocratic approach whereby employees are rewarded for their contributions to the company. We have zero tolerance for preferential treatment of our employees and will take stern action against such behaviors in our organisation.

Employee welfare is also key to our companies and we make every effort to establish strong relationships between higher management and our employees, enabling higher management to understand the needs of the ground better and implement more effective measures and policies to positively impact our employees.

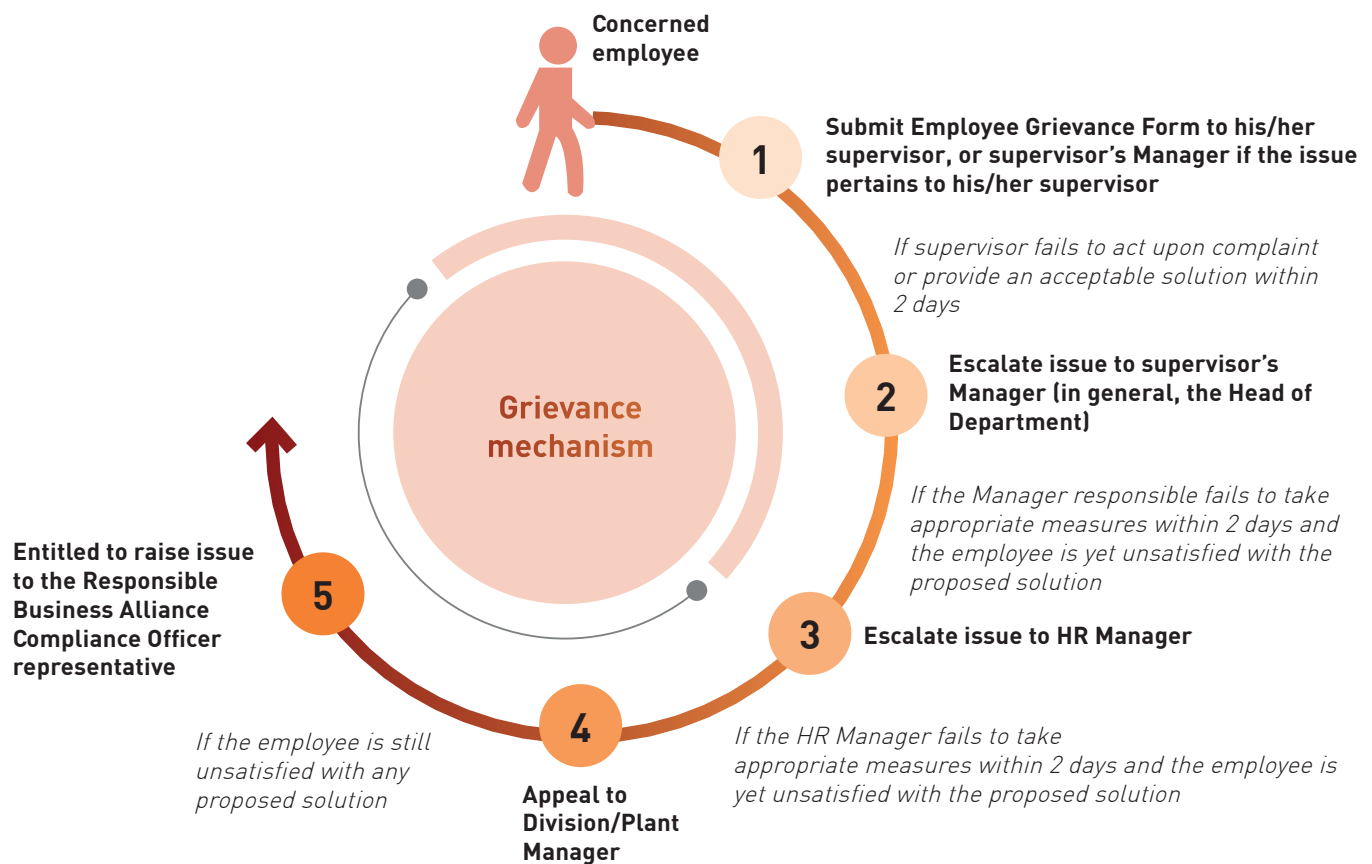
Table 5: Sunright's Policies on Fair Employment and Well-Being of Employees and Workers

Name of Policy	Policy Description
<p>Recruitment and Selection Policy</p> 	<p>Sunright practises fair hiring practices that are merit-based and non-discriminatory. This 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>
<p>Grievance Procedures/ Mechanism</p> 	<p>We strongly encourage our employees to voice their concerns through the feedback channels provided, and we have 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>
<p>Labour and Human Rights Standards</p> 	<p>Our commitment to ensure proper labour and human rights practices is in line with our Corporate Social Responsibility ("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>
<p>Benefits Policy</p> 	<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’s fair employment practices also extend to our outsourced workers. Audits are conducted on a quarterly basis for subsidiaries that provide a large number of foreign workers outsourced to our operations; audit activities include a review of worker pay slips to ensure timely and fair wages. As the accommodations provided for our foreign workers are managed by external vendors, audits are conducted monthly in accordance with the Responsible Business Alliance checklist 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 15), 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 15: Sunright’s Employee Grievance Mechanism



In FY2021, no substantiated complaints were received from our employees regarding unfair or discriminatory employment practices within Sunright.

Employee Engagement

Sunright is mindful of our staff overall well-being and recognise the implications of our employees’ welfare on work productivity and quality. In appreciation of our staff support, we organised sports and recreational activities (pre-COVID-19) as well as other staff bonding activities and appreciation functions to encourage team bonding, increasing collaboration and teamwork. We also celebrate birthdays where staff are presented with a small token of appreciation and a birthday message from the company.

In FY2021, we introduced the perfect attendance incentive programme (within safe distancing measure rules) for all employees at production area with a perfect attendance record were eligible to redeem vouchers and additional cash prizes via a lucky draw. Keeping in mind the importance of delivering quality products to our customers, Sunright’s Training Department continues to hold quarterly training sessions for operators and technicians. However, due to the MCO imposed in Malaysia, Sunright’s plans for coffee talks were temporarily put on hold.

SUSTAINABILITY REPORT

Figure 16: Winners of our Perfect Attendance Programme's lucky draw



Figure 17: Quarterly training sessions for operators and technicians



We recognise the impact of these unpredictable times on not only our employees' health, but also their emotional well-being, and have implemented several initiatives to show our support and understanding. During the Christmas and New Year periods, we gifted supermarket vouchers for our employees to celebrate with friends and family.

Focus Area	Perpetual Target	FY2021 Performance
Fair Employment Practices	0 complaints from employees to regulatory authorities pertaining to unfair or discriminatory employment practices	Achieved

FOSTERING A SAFETY CULTURE

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

Sunright's Health and Safety Policy sets objectives and guidelines that ensure that the health and well-being of our staff are taken care of in the workplace. This policy describes the procedures, guidelines and best practices that our staff are required to adhere to in order to mitigate health and safety risks in the workplace. Our subsidiaries also follow similar guidelines as detailed by an effective OHS Management System ("OHSMS") which was developed with reference to local safety regulations and covers all workers in our operating locations.

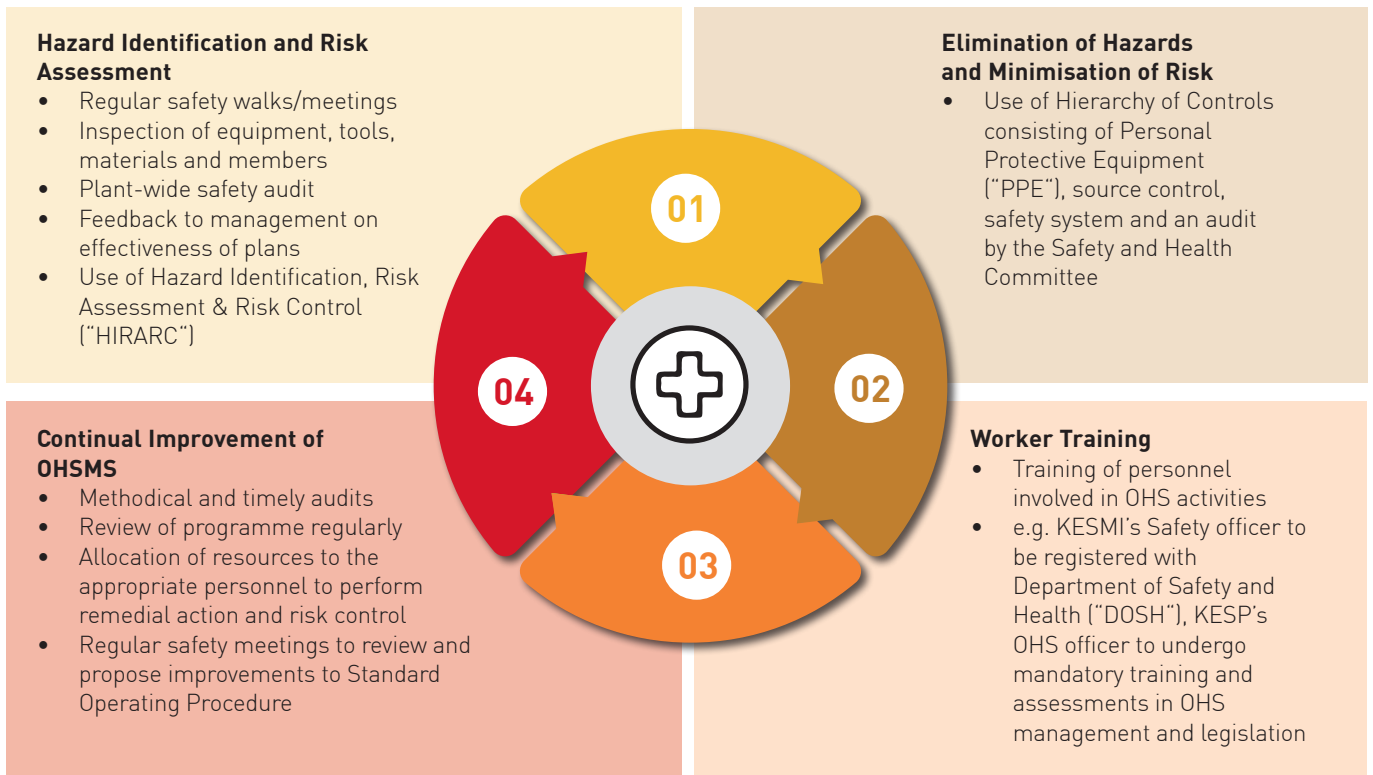
Hazard Identification and Risk Assessment

We identify and minimise all potential hazards through our safety policy and guidelines. These include cuts from handling sharp blade edges, trip or fall due to electrical appliances and other energy sources, fire, vehicles, slippery floors etc. 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.

Sunright has also implemented monitoring systems in its facilities to ensure that any chemical exposure is kept to a minimum. We conduct regular safety walks, inspections and audits to ensure that our workers adhere to our safety guidelines and protocols. Our safety personnel are also regularly trained and updated with the latest safety practices to ensure that risks are properly identified and controlled. Before every work shift, workers are briefed by the Head Supervisor to remind our workers on the importance of safety. This improves the overall effectiveness of the OHSMS, which is essential in safeguarding the health of our workers.

Figure 18 elaborates on the systematic process established to identify and eliminate hazards, towards continued improvement of the OHSMS.

Figure 18: Process of Hazard Identification, Risk Assessment and Improvement of OHSMS



Incident Investigation

Sunright takes a serious view of all work-related incidents and has implemented a systematic process that enables quick identification and remediation of hazardous situations that occur. At any point of time if a worker discovers a work hazard or believes that they have been placed in an unsafe working environment, they are required to immediately voice their concerns to their supervisor. Under the Code, those who report such incidents will be protected from backlash.

All supervisors are expected to assess the situation and rectify potential safety issues before allowing their workers to resume work. Upon removal of the hazard, the OHS committee will launch an investigation on the incident, and all details recorded in an investigation report. Follow-up actions will be taken by the relevant stakeholders.

Occupational Health Services and Promotion of Worker Health

Due to the nature of our operations providing burn-in and test services for semiconductors, we have identified potential occupational health hazards present in our operating sites, and the occupational health services we provide are tailored to the employees exposed to these potential hazards. All new employees are required to attend a physical health checkup to certify that they are fit for work, and we also provide yearly medical check-ups for employees handling chemicals, as well as yearly audiometric check-ups for employees working at high noise areas.

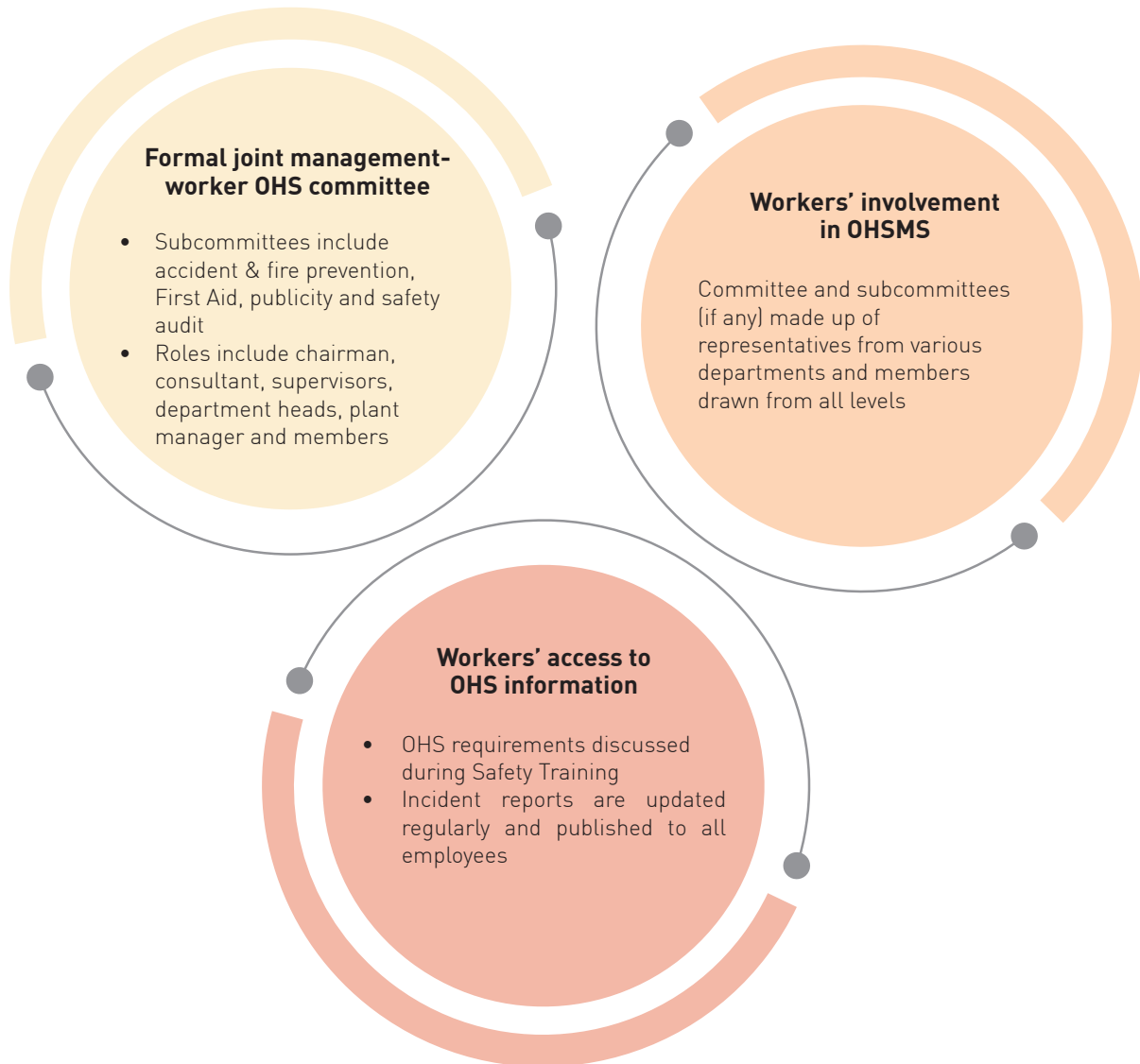
In the case of any injuries that occur in the workplace, first aid treatment is provided for the affected personnel for minor cases, and transportation to the nearest hospital is immediately arranged for more severe injuries. As part of Sunright’s Occupational Health Services System, we engage only certified service providers who are required to comply with all international and national OHS standards and regulations. To facilitate the accessibility of information, OHS information is readily available in several languages. We also receive feedback from our staff through surveys and rating systems that helps us to evaluate the effectiveness of our service, and aim to improve our systems as necessary to ensure that quality of service is maintained.

To support the 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 health, safety and well-being policies and programmes are complemented 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 OHS committee has also been established to engage our workers in OHS consultation and communication process.

Figure 19: 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.

This year, there was one minor workplace-related injury resulted in the loss of 4 man-days. Following this incident, Sunright has developed a set of working instructions and conducted additional user safety briefings with the process owners to ensure the reduction of similar incidents in the future.

Focus Area	Perpetual Target	FY2021 Performance
Occupational Health and Safety	0 work-related fatalities and injuries	One minor work injury

PROTECTING THE ENVIRONMENT

[GRI 302-1, 305-2]

Sunright places a strong emphasis on environmental sustainability and strives to carry out its business operations in a sustainable manner. Our operations are guided by the Environmental Management System (certified to ISO 14001:2015) and other local Energy Policies. Additionally, the Code also outlines specific environmental standards such as resource conservation, dealing with hazardous substances, wastewater and solid waste, air emissions, among others.

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

In FY2021, Sunright consumed 78.9 GWh of electricity. This translates to a decrease in electricity consumption of 3.8 GWh, or -5%, from the previous year. Similarly, our Scope 2 emissions have fallen by -6% to 54.7 kilo tonnes CO₂. This achievement is also a testament to our continued close monitoring of electricity consumption to reduce our environmental footprint.

Figure 20: Sunright's Electrical Energy Consumption

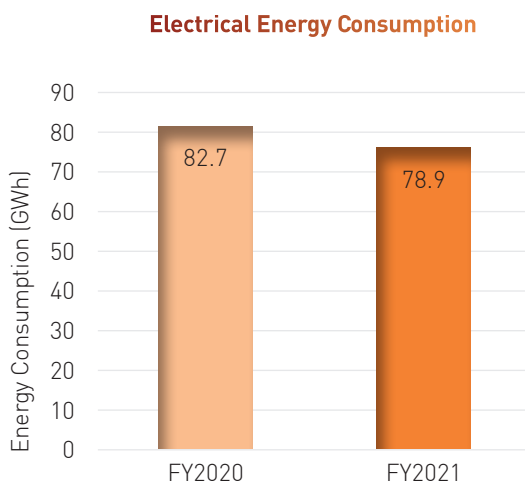
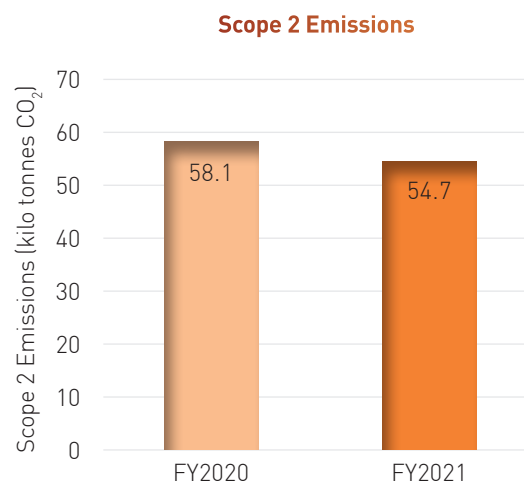


Figure 21: Sunright's Scope 2 (Indirect) Emissions¹⁰



Focus Area	Perpetual Target	FY2021 Performance
Energy Consumption	2% reduction in year-on-year energy consumption	Achieved 5% reduction

Sunright seeks to continually improve the quality and efficiency of our compressors and keep up to date with the latest technologies in the field. To reduce energy wastage, we have identified operational improvements which can be made to optimise our systems. This year, we are working towards integrating the use of renewable solar energy in our operations and hope to share more details in coming years.

¹⁰ The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 Emissions for FY2020 and FY2021 have been obtained from the Institute for Global Environmental Strategies ("IGES") 2020 database.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Disclosure		Reference(s) or Reasons for Omission
Material Topic: General Disclosures		
Organisational Profile		
102-1	Name of the organisation	About Sunright Limited (page 9)
102-2	Activities, brands, products, and services	About Sunright Limited (page 9)
102-3	Location of headquarters	About Sunright Limited (page 9)
102-4	Location of operations	About Sunright Limited (page 9)
102-5	Ownership and legal form	About Sunright Limited (page 9)
102-6	Markets served	About Sunright Limited (page 9)
102-7	Scale of the organisation	About Sunright Limited (page 9); Contributing Direct Economic Value (page 20); Sunright's Employee and Worker Profile (page 21)
102-8	Information on employee and other workers	Developing an Engaged Workforce & Fair Workplace (pages 21-24)
102-9	Supply chain	Sustaining Economic Performance (pages 18-20)
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes to our supply chain.
102-11	Precautionary principle and approach	Sunright does not specifically address the principles of the precautionary approach. However, our management is risk-based.
102-12	External initiatives	We take reference from Responsible Business Alliance's Code of Conduct
102-13	Membership of associations	Singapore Business Federation, Singapore Manufacturing Federation, Malaysian Employers Federation, The Free Trade Zone, Penang Companies' Association
Strategy		
102-14	Statement from senior decision-maker	Chairman's Statement (pages 2-3); Board Statement (page 9)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Building an Ethical Culture (pages 16-18)
Governance		
102-18	Governance structure	Sustainability: Guiding Our Way Forward (page 9)
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement (pages 10-11)
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements. Nonetheless, Sunright respects the rights of its employees to join or form a labour union.

Disclosure		Reference(s) or Reasons for Omission
102-42	Identifying and selecting stakeholders	Stakeholder Engagement (pages 10-11)
102-43	Approach to stakeholder engagement	Stakeholder Engagement (pages 10-11)
102-44	Key topics and concerns raised	Stakeholder Engagement (pages 10-11)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report (pages 87-88)
102-46	Defining report content and topic boundaries	Materiality Assessment (pages 11-12)
102-47	List of material topics	Materiality Assessment (pages 11-12)
102-48	Restatements of information	Economic Value Generated, Distributed and Retained (page 20) were adjusted to reflect greater accuracy.
102-49	Changes in reporting	Nil
102-50	Reporting period	FY2021
102-51	Date of most recent report (if any)	FY2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	sustainability@sunright.com
102-54	Claims of reporting in accordance with the GRI Standards	About the Report (page 9)
102-55	GRI content index	GRI Content Index (pages 28-31)
102-56	External assurance	About the Report (page 9)
Material Topic: Ethical Business Conduct		
Management Approach		
103-1	Explanation of the material topic and its boundary	Building an Ethical Culture (pages 16-18)
103-2	The management approach and its components	Building an Ethical Culture (pages 16-18)
103-3	Evaluation of the management approach	Building an Ethical Culture (pages 16-18)
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	Building an Ethical Culture (pages 16-18)
205-3	Confirmed incidents of corruption and actions taken	Building an Ethical Culture (pages 16-18)
Material Topic: Regulatory Compliance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Ensuring Strict Compliance with Applicable Laws and Regulations (page 18)
103-2	The management approach and its components	Ensuring Strict Compliance with Applicable Laws and Regulations (page 18)
103-3	Evaluation of the management approach	Ensuring Strict Compliance with Applicable Laws and Regulations (page 18)

SUSTAINABILITY REPORT

Disclosure		Reference(s) or Reasons for Omission
Environmental and Socioeconomic Compliance		
307-1	Non-compliance with environmental laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 18)
419-1	Non-compliance with laws and regulations in the social and economic area	Ensuring Strict Compliance with Applicable Laws and Regulations (page 18)
Material Topic: Economic Performance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Sustaining Economic Performance (pages 18-20)
103-2	The management approach and its components	Sustaining Economic Performance (pages 18-20)
103-3	Evaluation of the management approach	Sustaining Economic Performance (pages 18-20)
Economic Performance and Procurement Practices		
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 18-20)
Material Topic: Fair Employment Practices		
Management Approach		
103-1	Explanation of the material topic and its boundary	Developing an Engaged Workforce & Fair Workplace (pages 21-24)
103-2	The management approach and its components	Developing an Engaged Workforce & Fair Workplace (pages 21-24)
103-3	Evaluation of the management approach	Developing an Engaged Workforce & Fair Workplace (pages 21-24)
Employment and Non-Discrimination		
401-1	New employee hire and employee turnover	Sunright's Employee and Worker Profile (page 21)
406-1	Incidents of discrimination and corrective actions taken	Fair Employment Practices (pages 22-23)
Material Topic: Energy and Carbon Footprint		
Management Approach		
103-1	Explanation of the material topic and its boundary	Protecting the Environment (page 27)
103-2	The management approach and its components	Protecting the Environment (page 27)
103-3	Evaluation of the management approach	Protecting the Environment (page 27)
Energy Consumption and Emissions		
302-1	Energy consumption within the organisation	Protecting the Environment (page 27)
305-2	Energy indirect (Scope 2) GHG Emissions	Protecting the Environment (page 27)

Disclosure		Reference(s) or Reasons for Omission
Additional Reporting Matter: Occupational Health and Safety		
Management Approach (2018)		
103-1	Explanation of the material topic and its boundary	Fostering a Safety Culture (pages 24-27)
103-2	The management approach and its components	Fostering a Safety Culture (pages 24-27)
103-3	Evaluation of the management approach	Fostering a Safety Culture (pages 24-27)
Occupational Health and Safety (2018)		
403-1	Occupational health and safety management system	Fostering a Safety Culture (pages 24-27)
403-2	Hazard identification, risk assessment, and incident investigation	Fostering a Safety Culture (pages 24-27)
403-3	Occupational health services	Fostering a Safety Culture (pages 24-27)
403-4	Worker participation, consultation, and communication on occupational health and safety	Fostering a Safety Culture (pages 24-27)
403-5	Worker training on occupational health and safety	Fostering a Safety Culture (pages 24-27)
403-6	Promotion of worker health	Fostering a Safety Culture (pages 24-27)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Fostering a Safety Culture (pages 24-27)
403-9	Work-related injuries	Fostering a Safety Culture (pages 24-27)

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 2021 ("FY2021") 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, Cap. 50 ("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.

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 update on impending regulatory changes.

During the FY2021:

- 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 Directors' duties, new laws, 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.
- External training attended by the Directors variously included:
 - "ESG Reporting Health Check" conducted by Boardroom Corporate Services Sdn. Bhd.
 - "Introduction to Blockchain Technology for Accounting and Finance Professionals" conducted by Institute of Singapore Chartered Accountants (ISCA)
 - Listed Entity Director Programme: LED 1 to LED 8 conducted by the Singapore Institute of Directors.

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 the FY2021, Ms Sandy Foo Fei Ying was appointed as a new Independent Director ("ID"). She had completed the induction training conducted by the Company, as well as attended the Mandatory Training conducted by the Singapore Institute of Directors.

CORPORATE GOVERNANCE REPORT

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.

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. Due to the ongoing COVID-19 pandemic, as well as the requirement to observe safe distancing measures, all the meetings of the Board and Board Committees held in FY2021 were conducted in an electronic manner.

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 full attendance at the meetings of the Board and Board Committees held in FY2021, as shown in the table below:

Types & Number of Meetings	Board	ARC	NC	RC
	3	3	2	2
Name of Directors				
Samuel Lim Syn Soo	3	3*	2	2*
Kenneth Tan Teoh Khoon	3	3*	2	2*
Lim Mee Ing	1**	1**	N.A.	1**
Francis Lee Choon Hui	1**	1**	1**	1**
Daniel Soh Chung Hian	3	3	2	2
Timothy Brooks Smith	3	3	2	2
Sandy Foo Fei Ying	2***	2***	1***	1***

* By invitation

** Resigned on 1 February 2021

*** Appointed on 1 February 2021

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.

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.

Following changes in the composition of the Board and Board Committees as announced on 1 February 2021, the Board as at FY2021 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.

CORPORATE GOVERNANCE REPORT

For FY2021, each of the 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 also sought shareholders' approval at the last annual general meeting ("42nd AGM") of the Company, through a two-tier voting, to allow Mr Timothy Brooks Smith to continue as an ID.

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 FY2021 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.

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 FY2021, 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. 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:

Age	40-50 years = 20%	60-70 years = 60%	>70 years = 20%	
Gender	Male	80%	Female	20%
Ethnicity	Chinese	80%	Others - American	20%
Nationality	Singaporean	80%	American	20%
Independence	Independent	60%	Non-Independent	40%
Core Competencies	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 recommended under this Provision, as the Group already has diversity initiatives and strategies, that are designed to attract, develop and advance the most suitable talented individuals in the organisation, regardless of their race, religion, age, gender or any other dimension of diversity.

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

As a matter of good practice, the IDs have met in-person without the presence of Management, at least once a year. However in FY2021, no such meeting was held. The IDs had conferred and concurred that there was no matter that warranted IDs' deliberation and with open communications amongst them; such in-person separate IDs meeting was not necessary.

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 49 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.

During FY2021, Mr Daniel Soh Chung Hian has been appointed as the Lead ID. 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 FY2021, the NC met two times with full attendance, 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; identify KMP and recommend the re-appointment 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 who possess good insight and valuable institutional knowledge of the Group's businesses and affairs. In this connection, the Board will seek shareholders' approval through a two-tier voting process, to retain the long-tenured ID as ID.

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, the newly appointed Director is made aware of 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.

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 FY2021, 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 will generally not approve the appointment of alternate directors. There was no alternate director appointed in FY2021.

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 Directors 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 assessment and recommendations are then presented to the Board for review and deliberation.

During FY2021, 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 assessment.

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 FY2021, the RC met two times with full attendance, to review the remuneration framework and packages 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 recommendation 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 FY2021, 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.

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 reviewed annually and benchmarked against comparable companies. No Director is involved in deciding his or her own fees.

The Board concurred with the RC’s recommendations on the fees structure and that the proposed Directors’ fees for FY2021 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 former and current Directors for FY2021 is as follows:

NON-EXECUTIVE DIRECTORS	FEES (S\$)#
Daniel Soh Chung Hian	62,150
Timothy Brooks Smith	55,000
Sandy Foo Fei Ying*	27,500
Lim Mee Ing**	27,500
Francis Lee Choon Hui**	30,000

Pro-rated where length of service is less than one year

* Appointed on 1 February 2021.

** Resigned on 1 February 2021.

CORPORATE GOVERNANCE REPORT

EXECUTIVE DIRECTORS	SALARY	OTHER BENEFITS	TOTAL
S\$500,000 to S\$749,999			
Samuel Lim Syn Soo	81%	19%	100%
Kenneth Tan Teoh Khoon	82%	18%	100%

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 the FY2021, 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 remuneration of at least the top five KMP (who are not the Directors or the CEO), on a named basis. 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 the FY2021.

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.

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 senior management, through their day-to-day involvement in the business operations and regular attendance at senior management level meetings, 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 FY2021 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.

CORPORATE GOVERNANCE REPORT

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 FY2021, to address the risks that the Group considers relevant and material to its business operations.

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.

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 FY2021, the ARC met three 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;
- h) Reviewed with the internal auditor their audit findings; and
- i) Reviewed the revisions to the Whistle Blower Policy and recommended to the Board for approval.

Non-Audit Services

The ARC conducted a review of the aggregate amount of the fees paid to EY for FY2021, 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.

CORPORATE GOVERNANCE 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 43rd 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.

Provision 10.2: Composition of the AC

As at FY2021 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 FY2021, 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, publication in a local newspaper and the announcements made to SGX-ST via SGXNET. The notices are also posted on the Company's website.

Notices of general meetings together with the relevant document are dispatched 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 42nd AGM was held via electronic means. In view of the ongoing and evolving COVID-19 situation, as well as for the safety and well-being of shareholders, the Company will also be conducting its forthcoming 43rd AGM via electronic means, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holder) Order 2020. As such, shareholders will be unable to attend the meeting in person. Nonetheless, shareholders may appoint the Chairman of the meeting as proxy to vote on their behalf at the 43rd AGM and submit questions in advance. Shareholders may refer to the Letter to Shareholders dated 27 October 2021 and the Notice of the 43rd 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 2020, all Directors and the external auditor were present physically/virtually.

CORPORATE GOVERNANCE REPORT

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.

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 adopted 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 is recommending a final dividend of 0.3 cent per ordinary share to be approved by shareholders at the 43rd AGM.

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 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, who are responsible for the investor relations of the Company, 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.

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 FY2021.

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 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 yearly 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 FY2021, the Group did not enter into any transaction that would be regarded as an interested person transaction.



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The directors are pleased to 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 2021.

For the purpose of the disclosures in this statement as required by the Singapore Companies Act, Chapter 50 (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 2021 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 (appointed on 1 February 2021)

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		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Samuel Lim Syn Soo	67,466,666	67,466,666	-	-
Lim Mee Ing*	-	-	67,466,666	-
Kenneth Tan Teoh Khoon	2,130,000	2,130,000	-	-

* Retired during the year.

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 Singapore Companies Act, Chapter 50, 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.

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 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2021

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 2021, 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, Chapter 50 (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 2021 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 2021, the carrying amount of the Group's property, plant and equipment was \$43,142,000, which represented 30% of the Group's net 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.

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 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 revenue growth rate in terms of timing of the Group's operation return to normalcy, 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 2021, the Group recognised deferred tax assets of \$1,100,000, 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 2021, the carrying amount of the Company's investment in subsidiaries was \$12,112,000, which represented 96% of the Company's non-current 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 2021

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 2021

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 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2021

(In Singapore dollars)

	Note	2021 \$'000	2020 \$'000
Revenue	4	111,396	110,622
Other items of income			
Interest income	5	1,451	2,349
Dividend income		65	77
Other income		5,919	4,879
Items of expenses			
Raw materials and consumables used		(28,989)	(24,950)
Changes in inventories of finished goods and work-in-progress		(1,680)	(451)
Employee benefits expense	6	(41,453)	(42,296)
Depreciation of property, plant and equipment	10	(20,920)	(22,898)
Finance costs	7	(453)	(1,026)
Other expenses		(21,576)	(24,618)
Profit before tax	8	3,760	1,688
Income tax (expense)/credit	20	(1,251)	13
Profit, net of tax		2,509	1,701
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurement gain/(loss) arising from net defined benefit liabilities, net of tax		128	(38)
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation differences reclassified to profit or loss on voluntary liquidation of a subsidiary		(117)	-
Foreign currency translation loss		(218)	(2,139)
Other comprehensive income for the year, net of tax		(207)	(2,177)
Total comprehensive income for the year		2,302	(476)
Profit attributable to:			
Owners of the Company		1,314	1,685
Non-controlling interests	12(b)	1,195	16
		2,509	1,701
Total comprehensive income attributable to:			
Owners of the Company		1,190	720
Non-controlling interests		1,112	(1,196)
		2,302	(476)
Earnings per share (cents)	9	1.1	1.4

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

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2021

(In Singapore dollars)

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	43,142	47,027	421	719
Investment in subsidiaries	12	-	-	12,112	10,706
Deferred tax assets	20	1,100	1,151	-	-
Loans to a subsidiary	13	-	-	144	450
Other receivables	15	568	568	-	-
		<u>44,810</u>	<u>48,746</u>	<u>12,677</u>	<u>11,875</u>
Current assets					
Investment securities	25(b)	4,924	3,190	384	313
Inventories	14	4,627	5,432	-	-
Prepayments		851	1,275	104	78
Tax recoverables		1,269	375	-	-
Trade and other receivables	15	19,207	15,090	940	2,619
Loans to a subsidiary	13	-	-	306	457
Cash and short-term deposits	16	97,873	103,334	20,792	19,919
		<u>128,751</u>	<u>128,696</u>	<u>22,526</u>	<u>23,386</u>
Total assets		<u>173,561</u>	<u>177,442</u>	<u>35,203</u>	<u>35,261</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		36,489	35,415	(3,200)	(4,083)
Other reserves	18	11,868	12,120	155	155
		<u>84,084</u>	<u>83,262</u>	<u>32,682</u>	<u>31,799</u>
Non-controlling interests	12(b)	60,173	59,713	-	-
Total equity		<u>144,257</u>	<u>142,975</u>	<u>32,682</u>	<u>31,799</u>
Non-current liabilities					
Loans and borrowings	19	5,091	3,658	741	140
Defined benefit liabilities	22	1,417	1,445	-	-
Deferred tax liabilities	20	809	353	-	-
		<u>7,317</u>	<u>5,456</u>	<u>741</u>	<u>140</u>
Current liabilities					
Trade and other payables	21	17,202	16,852	947	1,160
Contract liabilities	4	440	494	-	-
Loans and borrowings	19	4,240	10,675	784	2,132
Provisions		34	43	-	-
Income tax payable		71	947	49	30
		<u>21,987</u>	<u>29,011</u>	<u>1,780</u>	<u>3,322</u>
Total liabilities		<u>29,304</u>	<u>34,467</u>	<u>2,521</u>	<u>3,462</u>
Total equity and liabilities		<u>173,561</u>	<u>177,442</u>	<u>35,203</u>	<u>35,261</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 2021

(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 2019		143,998	82,542	35,727	33,768	1,690	10,497	860	13,047	61,456
Profit for the year		1,701	1,685	-	1,685	-	-	-	-	16
Other comprehensive income for the year, net of tax		(2,177)	(965)	-	(38)	(927)	-	-	(927)	(1,212)
Total comprehensive income for the year		(476)	720	-	1,647	(927)	-	-	(927)	(1,196)
Dividends paid to non-controlling interests		(547)	-	-	-	-	-	-	-	(547)
As at 31 July 2020		142,975	83,262	35,727	35,415	763	10,497	860	12,120	59,713
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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 July 2021

(In Singapore dollars)

Company	Note	Total equity \$'000	Share capital \$'000	Accumulated losses \$'000	Capital reserve \$'000
Opening balance at 1 August 2019		30,530	35,727	(5,352)	155
Profit for the year		1,269	–	1,269	–
Total comprehensive income for the year		1,269	–	1,269	–
As at 31 July 2020		31,799	35,727	(4,083)	155
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

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 2021

(In Singapore dollars)

	Note	2021 \$'000	2020 \$'000
Operating activities			
Profit before tax		3,760	1,688
<u>Adjustments for:</u>			
Net gain on disposal of property, plant and equipment	8	(2,565)	(2,902)
Depreciation of property, plant and equipment	10	20,920	22,898
Net write-down of inventories	14	291	452
Net impairment loss on trade receivables	15	106	406
Dividend income		(65)	(77)
Net fair value (gain)/loss on investment securities		(1,157)	878
Finance costs	7	453	1,026
Interest income	5	(1,451)	(2,349)
Net unrealised exchange loss		40	39
Waiver of a bank loan*		(230)	-
Operating cash flows before changes in working capital		20,102	22,059
<u>Changes in working capital:</u>			
Decrease/(increase) in inventories		514	(587)
(Increase)/decrease in prepayments and receivables		(2,959)	11,413
Decrease in payables and contract liabilities		(2,841)	(1,623)
Cash flows from operations		14,816	31,262
Income taxes paid		(2,441)	(1,512)
Interest paid		(354)	(1,134)
Interest received		1,557	2,466
Net cash flows from operating activities		13,578	31,082
Investing activities			
Increase in short-term deposits with maturity more than three months		(3,956)	(5,243)
Dividend income		65	77
Purchase of property, plant and equipment		(14,100)	(4,407)
Proceeds from disposal of property, plant and equipment		2,541	3,206
Purchase of investment securities		(937)	(1,693)
Proceeds from disposal of investment securities		302	369
Net cash flows used in investing activities		(16,085)	(7,691)
Financing activities			
Proceeds from bank loans		11,037	11,417
Repayment of bank loans		(13,458)	(24,508)
Repayment of principal portion of lease liabilities		(2,622)	(3,572)
Dividends paid on ordinary shares		(368)	-
Dividends paid to non-controlling interests		(652)	(547)
Net cash flows used in financing activities		(6,063)	(17,210)
Net (decrease)/increase in cash and cash equivalents		(8,570)	6,181
Effect of exchange rate changes on cash and cash equivalents		(847)	(1,345)
Cash and cash equivalents at beginning of the year		40,855	36,019
Cash and cash equivalents at end of the year	16	31,438	40,855

* This pertains 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 2021

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 2020. 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) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to SFRS(I) 16: <i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
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) 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 2021

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.

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 2021

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:

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

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 2021

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.

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:

- (i) raw materials - purchase costs on a weighted average basis;
- (ii) consumables - purchase costs on a first-in first-out basis; and
- (iii) 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 2021

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.

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 2021

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.

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 2021

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.

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:

- (i) 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
- (ii) 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 2021

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 \$1,100,000 (2020: \$1,151,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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 (2020: \$10,706,000).

(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	
	2021 \$'000	2020 \$'000
Major type of goods and services		
Sale of goods	40,572	37,168
Rendering of services	70,824	73,454
	111,396	110,622
Primary geographical markets		
Singapore	3,322	1,917
Malaysia	69,351	68,950
China	22,365	20,084
Other Asian markets*	4,343	6,781
United States	6,527	6,478
Others	5,488	6,412
	111,396	110,622

* 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 2021

4. Revenue (cont'd)

(b) Contract liabilities

	Group	
	2021	2020
	\$'000	\$'000
Contract liabilities	440	494

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	
	2021	2020
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	482	172

5. Interest income

	Group	
	2021	2020
	\$'000	\$'000
Interest income from:		
- Deposits with licensed banks	1,451	2,349

6. Employee benefits expense

		Group	
	Note	2021	2020
		\$'000	\$'000
Employee benefits expense (including directors):			
- Wages, salaries and bonuses		35,388	36,435
- Contributions to defined contribution plans		1,578	1,663
- Defined benefit obligations	22	84	91
- Other benefits		4,403	4,107
		41,453	42,296

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

7. Finance costs

	Note	Group	
		2021 \$'000	2020 \$'000
Interest expense on:			
- Bank loans		216	649
- Lease liabilities	11	202	350
- Defined benefit obligations	22	35	27
		<u>453</u>	<u>1,026</u>

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Note	Group	
		2021 \$'000	2020 \$'000
Audit fees paid to:			
- Auditors of the Company		196	216
- Other auditors		208	196
Non-audit fees paid to:			
- Auditors of the Company		84	86
- Other auditors		61	54
Net foreign exchange loss		100	204
Net write-down of inventories	14	291	452
Net impairment loss on trade receivables	15	106	406
Net gain on disposal of property, plant and equipment		(2,565)	(2,902)
Net fair value (gain)/loss on investment securities		(1,157)	878
Other professional fees		588	584
Repairs and maintenance		6,477	6,124
Travelling and entertainment		64	468
Utilities		9,614	10,704
Rental expenses		138	259
COVID-19 related government reliefs		(871)	(1,070)
Directors' remuneration:			
- Directors of the Company			
• Fees		202	230
• Salaries and bonuses		1,164	1,161
• CPF and other defined contributions		17	17
- Directors of subsidiaries			
• Fees		135	124
• Salaries and bonuses		463	455
		<u>463</u>	<u>455</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

9. Earnings per share

Basic earnings per share are calculated by dividing the 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 profit and share data used in the computation of basic earnings per share for the years ended 31 July:

	Group	
	2021 \$'000	2020 \$'000
Profit attributable to owners of the Company	1,314	1,685
<hr/>		
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	122,806	122,806
<hr/>		
	Cents	Cents
Basic earnings per share	1.1	1.4

The Group has no potential ordinary shares in issue at the end of reporting date and therefore diluted 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 2021

10. Property, plant and equipment

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
Cost							
At 1 August 2019	19,761	2,055	12,373	268,999	2,141	7,446	312,775
Additions	1,013	-	213	5,324	-	395	6,945
Disposals	(295)	-	(207)	(6,873)	(131)	(509)	(8,015)
Exchange differences	230	(45)	(164)	(5,369)	11	(64)	(5,401)
Opening balance at 31 July 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)
Modification	(604)	-	-	-	-	-	(604)
Exchange differences	273	(25)	597	322	5	46	1,218
At 31 July 2021	22,201	2,845	13,017	262,475	2,026	7,433	309,997

[^] Included freehold land of a net carrying amount of \$357,000 (2020: \$361,000).

* Included in the Group's 'Renovation', 'Plant, machinery and test equipment', and 'Office equipment, furniture and fittings and computers' of \$128,000 (2020: Nil), \$2,943,000 (2020: \$1,660,000) and \$123,000 (2020: \$125,000) respectively, were not depreciated as they were not ready for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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
Accumulated depreciation							
At 1 August 2019	13,996	578	10,106	216,815	901	6,180	248,576
Depreciation charge	2,075	28	830	19,025	385	555	22,898
Disposals	(314)	-	(207)	(6,592)	(55)	(506)	(7,674)
Exchange differences	299	(30)	(452)	(4,289)	(3)	(48)	(4,523)
At 31 July 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
Net carrying amount							
At 31 July 2020	4,653	1,434	1,938	37,122	793	1,087	47,027
At 31 July 2021	4,491	2,245	1,525	33,345	440	1,096	43,142

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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

Company	Renovation \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings and computers \$'000	Total \$'000
Cost				
At 1 August 2019	47	1,201	828	2,076
Additions	–	–	22	22
At 31 July 2020	47	1,201	850	2,098
Additions	–	–	72	72
At 31 July 2021	47	1,201	922	2,170
Accumulated depreciation				
At 1 August 2019	47	412	501	960
Depreciation charge	–	240	179	419
At 31 July 2020	47	652	680	1,379
Depreciation charge	–	240	130	370
At 31 July 2021	47	892	810	1,749
Net carrying amount				
At 31 July 2020	–	549	170	719
At 31 July 2021	–	309	112	421

(a) Additions

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash payments	14,100	4,407	72	22
Lease liabilities	553	1,547	–	–
Other payables	2,285	991	–	–
	16,938	6,945	72	22

(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 2021

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	Leasehold land	Plant, machinery and test equipment	Motor vehicles	Office equipment, furniture and fittings and computers	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 August 2019	5,245	1,080	2,794	937	318	10,374
Additions during the year	997	-	455	-	48	1,500
Depreciation expenses	(1,576)	(28)	(665)	(252)	(137)	(2,658)
Transfer out upon lease maturity	-	-	(832)	(119)	-	(951)
Foreign exchange movement	72	1	6	-	-	79
At 31 July 2020 and 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	3,338	1,865	449	309	154	6,115

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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 2019	790	271	1,061
Depreciation expenses	(216)	(117)	(333)
Transfer out upon lease maturity	(51)	–	(51)
At 31 July 2020 and 1 August 2020	523	154	677
Depreciation expenses	(214)	(51)	(265)
At 31 July 2021	309	103	412

(b) Lease liabilities

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

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Lease liabilities					
At beginning of the year		6,124	8,169	401	728
Additions		553	1,531	–	–
Modifications		(438)	–	–	–
Accretion of interest	7	202	350	13	28
Payments		(2,824)	(3,922)	(274)	(355)
Foreign exchange movement		89	(4)	–	–
At end of the year		3,706	6,124	140	401
Current	19	1,691	2,583	134	261
Non-current	19	2,015	3,541	6	140
		3,706	6,124	140	401

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollar	657	1,664	140	401
United States Dollar	42	84	-	-
Ringgit Malaysia	1,264	2,052	-	-
Renminbi	739	1,284	-	-
Others	1,004	1,040	-	-
	3,706	6,124	140	401

(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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	2,311	2,658	265	333
Interest expense on lease liabilities	202	350	13	28
Lease expense relating to short-term lease	90	244	74	81
Lease expense relating to low-value assets	73	66	-	-
Total amount recognised in profit or loss	2,676	3,318	352	442

The Group had total cash outflows for leases of \$2,987,000 (2020: \$4,232,000) 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	More than five years \$'000
2021		
Extension options expected not to be exercised	1,184	-
2020		
Extension options expected not to be exercised	1,355	152

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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:

	2021 \$'000	2020 \$'000
Within one year	732	567
Later than one year but not later than five years	1,344	1,570
More than five years	-	97
	2,076	2,234

12. Investment in subsidiaries

	Company	
	2021 \$'000	2020 \$'000
Quoted shares, at cost	5,578	5,578
Unquoted shares, at cost	52,840	52,759
Allowance for impairment	(46,306)	(47,631)
	12,112	10,706

(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	
			2021 %	2020 %
<i>Held by the Company:</i>				
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services and manufacturing of electronic equipment (Taiwan)	100	100
▲	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 (China)	Provision of burn-in services and burn-in support services (China)	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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	
			2021 %	2020 %
<i>Held by the Company: (cont'd)</i>				
▲△	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 (M) Sdn. Bhd. (Malaysia)	Distribution of high-technology electronic equipment and materials (Malaysia)	–	100
μ	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 [#]	48 [#]
<i>Held by subsidiaries:</i>				
☆	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 [#]	48 [#]
☆	KESP Sdn. Bhd. (Malaysia)	Provision of semiconductor burn-in services and electronic manufacturing services (Malaysia)	48 [#]	48 [#]
☆△	KESM Industries (Tianjin) Co., Ltd. (China)	Provision of semiconductor burn-in and testing services (China)	48 [#]	48 [#]

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

12. Investment in subsidiaries (cont'd)

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

- ▲ 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.
- ^ Completed voluntary liquidation on 14 June 2021.

(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
2021					
KESM Industries Berhad	Malaysia	52%	1,195	60,173	652
2020					
KESM Industries Berhad	Malaysia	52%	16	59,713	547

(c) Summarised financial information about subsidiaries with material NCI

	KESM Industries Berhad and its subsidiaries	
	2021 \$'000	2020 \$'000
<u>Summarised statement of financial position</u>		
Total assets	133,139	134,379
Total liabilities	(16,813)	(18,875)
Net assets	116,326	115,504

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

12. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

	KESM Industries Berhad and its subsidiaries	
	2021	2020
	\$'000	\$'000
<u>Summarised statement of comprehensive income</u>		
Revenue	80,992	79,177
Profit for the year	2,393	32
Other comprehensive income	1,196	85
Total comprehensive income for the year	3,589	117
<u>Summarised cash flow statement</u>		
Net cash from operating activities	12,097	28,427
Net cash used in investing activities	(13,710)	(9,255)
Net cash used in financing activities	(5,107)	(16,497)
Net (decrease)/increase in cash and cash equivalents	(6,720)	2,675

(d) Impairment testing on investment in subsidiaries

	Company	
	2021	2020
	\$'000	\$'000
Movement in allowance account:		
At beginning of the year	47,631	46,439
(Reversal of impairment credited)/impairment charged to profit or loss, net	(72)	1,192
Written off	(1,253)	-
At end of the year	46,306	47,631

During the financial year, a net reversal of impairment of \$72,000 (2020: impairment loss of \$1,192,000) was recognised to profit or loss arising from impairment assessments performed by management.

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

The recoverable amounts had been determined based on higher of its value in use and fair value less costs to sell. Value in use calculations is computed using the cash flow projections forecast approved by management. The key assumptions used in determining the value in use calculations are pre-tax discount rate of 14% (2020: 14% to 15%), with a terminal growth of 1% (2020: 1%). For fair value less costs to sell, management has engaged external valuers to determine the fair value of its property, plant and equipment held by its subsidiaries at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

13. Loans to a subsidiary

	Company	
	2021 \$'000	2020 \$'000
Loans to a subsidiary (non-current)	144	450
Loans to a subsidiary (current)	306	457
Total loans to a subsidiary	<u>450</u>	<u>907</u>

The loans to a subsidiary bore interest rates of 2.35% (2020: between 2.25% and 3.5%) per annum, are unsecured and repayable over remaining 2 years (2020: 1 to 3 years).

14. Inventories

	Group	
	2021 \$'000	2020 \$'000
Raw materials	2,709	1,957
Consumables	213	430
Work-in-progress	861	2,223
Finished goods	844	822
Total inventories (at net realisable value)	<u>4,627</u>	<u>5,432</u>

During the financial year, the Group wrote down \$291,000 (2020: \$452,000) 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 2021

15. Trade and other receivables

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Non-current					
Other receivables:					
- Sundry deposits		568	568	-	-
Current					
Trade receivables:					
- Trade receivables		19,210	14,763	-	-
- Amounts due from subsidiaries (trade)		-	-	635	1,420
		19,210	14,763	635	1,420
Allowance for impairment:					
- Trade receivables		(874)	(765)	-	-
		18,336	13,998	635	1,420
Current					
Other receivables:					
- Sundry deposits		76	95	1	1
- Sundry receivables		795	978	45	123
- Derivatives	23(b)	-	19	-	-
- Amounts due from subsidiaries (non-trade)		-	-	259	1,075
		871	1,092	305	1,199
Total current trade and other receivables		19,207	15,090	940	2,619
Total trade and other receivables		19,775	15,658	940	2,619
Add: Loans to a subsidiary	13	-	-	450	907
Add: Cash and short-term deposits	16	97,873	103,334	20,792	19,919
Less: Derivatives	23(b)	-	(19)	-	-
Total financial assets at amortised cost		117,648	118,973	22,182	23,445

(a) Trade receivables

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 30 to 90 days' terms (2020: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Movement in allowance account:				
At beginning of the year	765	351	-	-
Charge to profit or loss	106	406	-	-
Exchange differences	3	8	-	-
At end of the year	874	765	-	-

During the financial year, impairment loss of \$106,000 (2020: \$406,000) 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollar	695	920	733	1,542
United States Dollar	5,348	3,785	-	976
Ringgit Malaysia	8,855	7,900	207	101
Renminbi	4,797	2,851	-	-
Others	80	202	-	-
	19,775	15,658	940	2,619

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

16. Cash and short-term deposits

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at banks and on hand	19,033	18,730	1,792	1,919
Deposits with licensed banks	78,840	84,604	19,000	18,000
Cash and short-term deposits	97,873	103,334	20,792	19,919
Less: Bank deposits with maturity more than three months	(66,435)	(62,479)	(18,000)	(14,000)
Cash and cash equivalents	31,438	40,855	2,792	5,919

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollar	24,014	22,198	20,708	19,898
United States Dollar	5,139	5,266	84	21
Ringgit Malaysia	63,482	67,974	-	-
Renminbi	4,285	6,016	-	-
Others	953	1,880	-	-
	97,873	103,334	20,792	19,919

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 seven 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 2021 for the Group and the Company were 1.77% (2020: 2.96%) and 0.72% (2020: 1.74%) respectively.

Cash at banks of \$4,499,000 (2020: \$6,265,000) 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			
	2021		2020	
	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 2021

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	
			2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Current</u>						
Lease liabilities	11		1,691	2,583	134	261
Bank loans		2022	2,549	8,092	650	1,871
			<u>4,240</u>	<u>10,675</u>	<u>784</u>	<u>2,132</u>
<u>Non-current</u>						
Lease liabilities	11		2,015	3,541	6	140
Bank loans		2026	3,076	117	735	-
			<u>5,091</u>	<u>3,658</u>	<u>741</u>	<u>140</u>
Total loans and borrowings			<u>9,331</u>	<u>14,333</u>	<u>1,525</u>	<u>2,272</u>

(a) Bank loans

The bank loans of the Group and the Company bore interest between 1.7% and 5.2% (2020: between 1.0% and 5.5%), and 1.7% and 3.3% (2020: 1.7% and 2.3%) per annum respectively.

None of the bank loans (2020: \$481,000) for the Group are secured by corporate guarantee provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

19. Loans and borrowings (cont'd)

A reconciliation of movement of liabilities to cash flows arising from financing activities is as follows:

	1 August 2020 \$'000	Cash flows \$'000	Non-cash items				31 July 2021 \$'000
			Acquisitions \$'000	Modifications \$'000	Foreign exchange movement \$'000	Others \$'000	
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
Total	14,333	(5,043)	553	(438)	156	(230)	9,331

	1 August 2019 \$'000	Cash flows \$'000	Non-cash items				31 July 2020 \$'000
			Acquisitions \$'000	Modifications \$'000	Foreign exchange movement \$'000	Others \$'000	
Bank loans							
- Current	16,706	(24,508)	-	-	(280)	16,174	8,092
- Non-current	4,951	11,417	-	-	(77)	(16,174)	117
Lease liabilities							
- Current	3,278	(3,572)	-	-	(3)	2,880	2,583
- Non-current	4,891	-	1,531	-	(1)	(2,880)	3,541
Total	29,826	(16,663)	1,531	-	(361)	-	14,333

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollar	3,379	2,572	1,525	1,309
United States Dollar	42	1,762	-	963
Ringgit Malaysia	2,196	6,801	-	-
Renminbi	1,420	2,157	-	-
Others	2,294	1,041	-	-
	9,331	14,333	1,525	2,272

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

20. Income tax

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2021 and 2020 are:

	2021 \$'000	2020 \$'000
<u>Statement of profit or loss and other comprehensive income</u>		
<i>Current income tax:</i>		
- Current income tax	703	2,521
- Over provision in respect of previous years	(12)	(6)
	<u>691</u>	<u>2,515</u>
<i>Deferred tax:</i>		
- Origination and reversal of temporary differences	547	(636)
- Under/(Over) provision in respect of previous years	13	(1,892)
	<u>560</u>	<u>(2,528)</u>
Income tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income	<u>1,251</u>	<u>(13)</u>

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit before taxation multiplied by the applicable corporate tax rate for the financial years ended 31 July 2021 and 2020 is as follows:

	2021 \$'000	2020 \$'000
Profit before tax	3,760	1,688
Tax calculated at statutory tax rate of 17% (2020: 17%)	639	287
Adjustments:		
Non-deductible expenses	144	804
Income not subject to tax	(369)	(291)
Effect of different tax rates on foreign income	149	(245)
Benefits from previously unrecognised deferred tax assets	(326)	(892)
Deferred tax assets not recognised	1,013	2,222
(Over)/Under provision in respect of previous years		
- Current income tax	(12)	(6)
- Deferred tax	13	(1,892)
Income tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income	<u>1,251</u>	<u>(13)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<i>Deferred tax liabilities:</i>				
Unremitted offshore interest income	-	-	-	(1,848)
Differences in depreciation for tax purposes	1,256	790	486	(743)
Other deductible temporary differences	(447)	(437)	(16)	10
	809	353	470	(2,581)
<i>Deferred tax assets:</i>				
Differences in depreciation for tax purposes	2	(244)	247	(126)
Other deductible temporary differences	(1,102)	(907)	(157)	179
	(1,100)	(1,151)	90	53
Deferred tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income			560	(2,528)

(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 \$46,955,000 (2020: \$37,329,000), \$8,528,000 (2020: \$10,164,000), and \$11,848,000 (2020: \$11,370,000) 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 China, Malaysia, Taiwan and USA can be carried forward for 5 years, 7 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 2021

21. Trade and other payables

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade and other payables:					
- Trade payables		6,192	6,112	-	-
- Accrued operating expenses		5,404	5,841	932	990
- Deferred grant income		5	265	5	73
- Sundry payables		5,572	4,634	-	88
- Derivatives	23(b)	29	-	-	-
- Amounts due to subsidiaries (non-trade)		-	-	10	9
		17,202	16,852	947	1,160
Add: Loans and borrowings	19	9,331	14,333	1,525	2,272
Less: Derivatives	23(b)	(29)	-	-	-
Less: Deferred grant income		(5)	(265)	(5)	(73)
Total financial liabilities carried at amortised cost		26,499	30,920	2,467	3,359

(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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollar	3,924	5,196	937	1,157
United States Dollar	6,007	4,932	10	3
Ringgit Malaysia	4,935	4,473	-	-
Renminbi	1,966	1,765	-	-
Others	421	486	-	-
	17,253	16,852	947	1,160

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

22. Defined benefit liabilities

The Group operates two (2020: two) unfunded defined benefit plan. 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	
	2021	2020
	\$'000	\$'000
Present value of defined benefit obligations, representing net defined benefit liabilities	(1,417)	(1,445)

Changes in present value of the defined benefit obligations are as follows:

	Note	Group	
		2021	2020
		\$'000	\$'000
Balance at beginning of the year		(1,445)	(1,356)
Benefits paid		-	39
Current service costs	6	(84)	(91)
Interest costs	7	(35)	(27)
Remeasurement gain/(loss) on defined benefit plans			
Actuarial gain/(loss) arising from:			
- Changes in financial assumptions		128	(38)
Currency realignment		19	28
Balance at end of the year		(1,417)	(1,445)

The components of amounts recognised in profit or loss and in other comprehensive income in respect of the defined benefit plans are as follows:

	Note	Group	
		2021	2020
		\$'000	\$'000
<u>Reported in profit or loss</u>			
Current service costs	6	(84)	(91)
Interest costs	7	(35)	(27)
		(119)	(118)
<u>Remeasurement loss recognised in other comprehensive income</u>			
Actuarial gain/(loss) arising from:			
- Changes in financial assumptions		128	(38)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

22. Defined benefit liabilities (cont'd)

The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group	
	2021 \$'000	2020 \$'000
Discount rates	3.37% to 3.76%	2.85% to 3.09%
Expected rate of future salary increases	4.20%	5.00%

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	
		2021 \$'000	2020 \$'000
Discount rates	0.25% (0.25%)	(15) 15	(19) 19
Expected rate of future salary increases	0.25% (0.25%)	15 (15)	19 (19)

The duration of the defined benefit obligations at the end of the reporting period is 3 to 6 years (2020: 4 to 7 years).

23. Commitments

(a) Capital commitments

Capital expenditure as at the end of reporting date is as follows:

	Group	
	2021 \$'000	2020 \$'000
Property, plant and equipment		
- Authorised and contracted for	3,409	1,661

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

23. Commitments (cont'd)

(b) Financial instruments

Derivatives included in the statement of financial position at 31 July are as follows:

Group	Note	2021		2020	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	25(b)	-	[29]	19	-

As at 31 July 2021, the Group held nine (2020: five) forward currency contracts, with total outstanding notional amounts of \$2,742,000 (2020: \$2,075,000). The outstanding forward contracts mature in 1 to 3 months (2020: 1 to 3 months).

The Group does not apply hedge accounting.

24. Related party disclosures

Compensation of key management personnel

	Group	
	2021 \$'000	2020 \$'000
Salaries, bonuses and fees	2,617	2,176
CPF and other defined contributions	162	50
Total compensation paid to key management personnel	2,779	2,226

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.

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 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

25. Fair value of assets and liabilities (cont'd)

(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
2021				
<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		<u>4,924</u>	<u>(29)</u>	<u>4,895</u>
2020				
<u>Financial assets/(liabilities):</u>				
Equity securities at FVPL:				
- Investment securities (quoted)		3,190	-	3,190
Derivatives:				
- Forward currency contracts	23(b)	-	19	19
At 31 July 2020		<u>3,190</u>	<u>19</u>	<u>3,209</u>

(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 2021

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 (2020: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's profit before tax would have been \$69,000 (2020: \$149,000) and \$16,000 (2020: \$20,000) 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 2021

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, 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	
	2021	2020
	\$'000	\$'000
USD/SGD - strengthened 1% (2020: 1%)	43	33
USD/SGD - weakened 1% (2020: 1%)	(43)	(33)
USD/RM - strengthened 1% (2020: 1%)	8	5
USD/RM - weakened 1% (2020: 1%)	(8)	(5)

(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 2021

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
31 July 2021			
<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
31 July 2020			
<u>Financial assets:</u>			
Investment securities	3,190	–	3,190
Trade and other receivables	15,090	568	15,658
Cash and short-term deposits	103,334	–	103,334
Total undiscounted financial assets	121,614	568	122,182
<u>Financial liabilities:</u>			
Trade and other payables	(16,587)	–	(16,587)
Lease liabilities	(2,820)	(3,784)	(6,604)
Loans and borrowings (excluding lease liabilities)	(8,157)	(118)	(8,275)
Total undiscounted financial liabilities	(27,564)	(3,902)	(31,466)
Total net undiscounted financial assets/(liabilities)	94,050	(3,334)	90,716

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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
31 July 2021			
<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
31 July 2020			
<u>Financial assets:</u>			
Investment securities	313	-	313
Trade and other receivables	2,619	-	2,619
Loans to a subsidiary	468	460	928
Cash and short-term deposits	19,919	-	19,919
Total undiscounted financial assets	23,319	460	23,779
<u>Financial liabilities:</u>			
Trade and other payables	(1,087)	-	(1,087)
Lease liabilities	(275)	(141)	(416)
Loans and borrowings (excluding lease liabilities)	(1,874)	-	(1,874)
Total undiscounted financial liabilities	(3,236)	(141)	(3,377)
Total net undiscounted financial assets	20,083	319	20,402

In the previous financial year, the contractual expiry of the Company's corporate guarantee matured within 2 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) (iii).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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 Nil (2020: \$873,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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	2021		2020	
	\$'000	% of total	\$'000	% of total
By country:				
Singapore	291	2	1,595	11
Malaysia	10,364	57	7,736	55
China	5,751	31	2,861	20
Other Asian markets*	522	3	190	2
United States	743	4	923	7
Others	665	3	693	5
	18,336	100	13,998	100
By industry sectors:				
Burn-in, testing and electronic manufacturing services	18,336	100	13,998	100

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

At the end of the reporting period, approximately:

- (i) 80% (2020: 70%) of the Group's trade receivables were due from 3 (2020: 5) major customers who are in the semiconductor industry; and
- (ii) 95% (2020: 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 2021

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	
Group				
As at 31 July 2021				
Trade receivables	1,008	13	874	1,895
Allowance for impairment	-	-	(874)	(874)
Trade receivables - net	1,008	13	-	1,021
As at 31 July 2020				
Trade receivables	860	12	765	1,637
Allowance for impairment	-	-	(765)	(765)
Trade receivables - net	860	12	-	872
Company				
As at 31 July 2021				
Trade receivables	-	-	-	-
As at 31 July 2020				
Trade receivables	346	247	-	593

(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% (2020: 5%) higher/lower with all other variables held constant, the Group's and the Company's profit before tax would have been \$246,000 (2020: \$160,000) and \$19,000 (2020: \$16,000) 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 2021

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 2021 and 2020.

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 2021 and 2020.

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	2021	2020
		\$'000	\$'000
Total loans and borrowings (total debt)	19	9,331	14,333
Less: Cash and short-term deposits	16	(97,873)	(103,334)
Net cash		<u>(88,542)</u>	<u>(89,001)</u>
Total equity attributable to owners of the Company		84,084	83,262
Less: Statutory reserve fund		(860)	(860)
		<u>83,224</u>	<u>82,402</u>

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 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 2021

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.

	Burn-in, testing and electronic manufacturing services \$'000	Others \$'000	Consolidated \$'000
2021			
Revenue:			
External customers	111,396	–	111,396
Results:			
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
Other information:			
Depreciation of property, plant and equipment	20,550	370	20,920
Additions to property, plant and equipment	16,866	72	16,938
2020			
Revenue:			
External customers	110,622	–	110,622
Results:			
Segment profit/(loss)	540	(175)	365
Interest income			2,349
Finance costs			(1,026)
Profit before tax			1,688
Income tax credit			13
Profit for the year			1,701
Other information:			
Depreciation of property, plant and equipment	22,479	419	22,898
Additions to property, plant and equipment	6,923	22	6,945

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

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**	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore	3,322	1,917	1,587	2,642
Malaysia	69,351	68,950	35,780	34,795
China	22,365	20,084	4,551	7,954
Other Asian countries*	4,343	6,781	1,180	1,523
United States	6,527	6,478	44	113
Others	5,488	6,412	-	-
	111,396	110,622	43,142	47,027

* 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 (2020: 3) 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 \$85 million (2020: \$80 million).

29. Dividends

	Group and Company	
	2021	2020
	\$'000	\$'000
Recognised during the financial year:		
- Final ordinary tax exempt (one-tier) dividend for 2020 at 0.3 cent (2019: Nil) per share	368	-
Proposed but not recognised as a liability as at 31 July:		
- Final ordinary tax exempt (one-tier) dividend for 2021 at 0.3 cent (2020: 0.3 cent) per share	368	368

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2021

30. Material 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.

31. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 July 2021 were approved in accordance with a resolution of the directors on 28 September 2021.

SHAREHOLDERS' INFORMATION

As at 28 September 2021

Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Holdings	Number of shareholders	%	Number of Shares	%
1 – 99	3	0.10	53	0.00
100 – 1,000	1,072	34.69	1,051,259	0.85
1,001 – 10,000	1,595	51.62	7,426,201	6.05
10,001 – 1,000,000	409	13.24	21,487,488	17.50
1,000,001 and above	11	0.35	92,840,999	75.60
Total	3,090	100.00	122,806,000	100.00

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.	DBS Nominees (Private) Limited	5,400,200	4.40
3.	United Overseas Bank Nominees (Private) Limited	4,315,800	3.51
4.	Phillip Securities Pte Ltd	2,697,600	2.20
5.	Tan Teoh Khoon	2,130,000	1.73
6.	Maybank Kim Eng Securities Pte. Ltd.	2,080,400	1.69
7.	Ang Ah Beng	1,901,500	1.55
8.	Citibank Nominees Singapore Private Limited	1,877,700	1.53
9.	OCBC Nominees Singapore Private Limited	1,825,100	1.49
10.	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,679,233	1.37
11.	Goh Guan Siong (Wu YuanXiang)	1,466,800	1.19
12.	OCBC Securities Private Limited	980,200	0.80
13.	Tan Chin Wah	801,000	0.65
14.	Gordon Cai Zhen Qiang	600,000	0.49
15.	Raffles Nominees (Pte.) Limited	547,000	0.45
16.	IFast Financial Pte. Ltd.	530,400	0.43
17.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
18.	Yeo Wei Huang	501,000	0.41
19.	Lee Chin Ing (Li JingYing)	500,000	0.41
20.	UOB Kay Hian Private Limited	386,900	0.32
	Total	98,214,499	79.99

SHAREHOLDERS' INFORMATION

As at 28 September 2021

DIRECTORS' INTEREST AS AT 21 AUGUST 2021

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 2021, 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-Third Annual General Meeting ("Meeting" or "AGM") of Sunright Limited (the "Company"), will be convened and held wholly by way of electronic means, on Monday, 22 November 2021 at 9.30 a.m. (Singapore Time), 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 2021 and the Auditor's Report thereon. **Resolution 1**
2. To declare a tax exempt one-tier first and final dividend of 0.3 Singapore cent per ordinary share, for the financial year ended 31 July 2021 ("Final Dividend"). **Resolution 2**
3. To re-elect Mr Samuel Lim Syn Soo, a director retiring by rotation under Article 87 of the Company's Constitution and who, being eligible, offer himself for re-election.
[See Explanatory Note] **Resolution 3**
4. To re-elect Ms Sandy Foo Fei Ying, a director retiring under Article 94 of the Company's Constitution and who, being eligible, offer herself for re-election.
[See Explanatory Note] **Resolution 4**
5. To approve the payment of Directors' fees of S\$202,150 (2020: S\$230,000), in respect of the financial year ended 31 July 2021. **Resolution 5**
6. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
7. 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 2021

Explanatory Notes to the Notice of the AGM:

Resolution 3 – Mr Samuel Lim Syn Soo, upon re-election as Director of the Company, will remain as a member of the Nominating Committee.

Resolution 4 – Ms Sandy Foo Fei Ying, upon re-election as Director of the Company, will remain as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee. She is considered an Independent Non-Executive Director for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Detailed information on Mr Samuel Lim Syn Soo and Ms Sandy Foo Fei Ying who are proposed for re-election at the AGM can be found under "Board of Directors" and "Additional Information on Directors Seeking Re-Election" in the Company's Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING

Meeting Notes:

1. The AGM will be held wholly by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. We seek your understanding that hard copy of this Notice will not be printed nor sent to members. Instead, this Notice will be published on and accessed at the Company's website, at the URL https://www.sunright.com/eng/investor_relations.htm and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's announcement dated 27 October 2021. This announcement may be accessed at the Company's website, at the URL https://www.sunright.com/eng/investor_relations.htm and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.
3. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf, at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The proxy form may be accessed at the Company's website, at the URL https://www.sunright.com/eng/investor_relations.htm and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.
4. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, 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 appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. Members who are relevant intermediaries (as defined under Section 181 of the Singapore Companies Act, Cap. 50), including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy should approach their respective relevant intermediary (including CPF Agent Banks or SRS Operators) by 5.00 p.m. on 10 November 2021, to ensure that their votes are submitted.
6. The Chairman of the Meeting, as proxy, need not be a member of the Company.
7. The instrument appointing the Chairman of the Meeting as proxy must be duly completed, signed, submitted to and reach the Company in the following manner:
 - (i) by posting to Sunright Limited, c/o Complete Corporate Services Pte Ltd, 10 Anson Road, #29-07 International Plaza, Singapore 079903; or
 - (ii) by sending a scanned PDF copy via email to sunright-agm@complete-corp.com,in either case not less than 72 hours before the time appointed for holding the AGM.
8. The Company's Annual Report 2021 has been published on and may be accessed at the Company's website, at the URL https://www.sunright.com/eng/investor_relations.htm and also available on SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>. For members who wish to receive a printed copy of the Annual Report 2021, he/she/it may submit his/her/its request(s) by downloading the Request Form from the Company's website at the URL https://www.sunright.com/eng/investor_relations.htm. The duly completed Request Form must be submitted to and reach the Company no later than 8 November 2021.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy 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 (or its agents or service providers) is subject to its Privacy Policy, which is available at www.sunright.com.

BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN that subject to the approval of the members for the Final Dividend being obtained at the AGM, the Register of Members and the Transfer Books of the Company will be closed from 5.00 p.m. on 25 November 2021 for the purpose of determining members' entitlements to the Final Dividend.

Duly completed registrable transfers of the ordinary shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 25 November 2021 will be registered before entitlements to the Final Dividend are determined.

Members whose Securities Account with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 25 November 2021 will be entitled to the Final Dividend.

The Final Dividend, if approved by members at the AGM, will be paid on 10 December 2021.

By Order of the Board

Adeline Lim Kim Swan

Company Secretary

27 October 2021

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 2021 AGM on Monday, 22 November 2021
 (pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

Name of Director	Samuel Lim Syn Soo	Sandy Foo Fei Ying
Date of Appointment	9 March 1978	1 February 2021
Date of last re-appointment	16 November 2018	-
Age	67	48
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment	<p>Mr Samuel Lim is Founder, Chairman and CEO of the Company.</p> <p>A pioneer in the local semiconductor industry, he has successfully managed the Group through many semiconductor cycles and introduced innovative products and service offerings to differentiate the Group from its competitors.</p> <p>His re-election as Director was recommended by the Nominating Committee and approved by the Board; after taking into consideration his deep institutional knowledge and vast experience in the semiconductor and electronics industry, strong leadership to drive the Board and management to set the direction and his overall performance and strong contributions to the effectiveness of the Board and to the Group.</p> <p>(He had abstained from deliberating on his own nomination.)</p> <p>Upon re-election, Mr Samuel Lim will continue to serve as a member of the Nominating Committee.</p>	<p>The re-election of Ms Sandy Foo as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration her qualifications, professional expertise and experience, and her contributions to the Board.</p> <p>(She had abstained from deliberating on her own nomination.)</p> <p>Upon re-election, Ms Sandy Foo will continue to serve as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.</p>
Whether appointment is executive, and if so, the area of responsibility	<p>Executive</p> <p>Board leadership and responsible for the general management of the Group.</p>	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	<ul style="list-style-type: none"> - Board Chairman and Chief Executive Officer - Member of Nominating Committee 	<ul style="list-style-type: none"> - Independent Non-Executive Director - Member of Audit and Risk Committee - Member of Nominating Committee - Member of Remuneration Committee
Professional qualifications	Diploma in Industrial Engineering (Canada)	LLB (Hons), National University of Singapore
Working experience and occupation(s) during the past 10 years	Company Director and Chief Executive Officer	Lawyer since 1997

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 2021 AGM on Monday, 22 November 2021
(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

Name of Director	Samuel Lim Syn Soo	Sandy Foo Fei Ying
Shareholding interest in the listed issuer and its subsidiaries	Sunright Limited – 67,466,666 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> – Kestronics (S) Pte Ltd – Kestronics (M) Sdn. Bhd.	Nil
Present:	<u>Directorship in Listed Company</u> – KESM Industries Berhad <u>Directorships in Non-Listed Companies</u> – KES Systems & Service (1993) Pte Ltd – KES Systems & Service (M) Sdn. Bhd. – KES Systems & Service Philippines Inc. – KES Systems & Service (Shanghai) Co., Ltd – KES Systems, Inc. – KEST Systems & Service Ltd – KES International Sdn. Bhd. – Kestronics Philippines, Inc. – KESM Test (M) Sdn. Bhd. – KESP Sdn. Bhd. <u>Major Appointment (other than Directorships)</u> Nil	<u>Directorship in Listed Company</u> Nil <u>Directorship in Non-Listed Company</u> Nil <u>Major Appointments (other than Directorships)</u> – 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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 2021 AGM on Monday, 22 November 2021
(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 judgment 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, judgment 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, judgment 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
 - (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?

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

At the 2021 AGM on Monday, 22 November 2021
(pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST)

- (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 Samuel Lim Syn Soo's responses to the above-mentioned items (a) to (k) were all "No".

There is no change to the responses previously disclosed by Ms Sandy Foo Fei Ying to the above-mentioned items (a) to (k), which were all "No". The Appendix 7.4.1 information in respect of Ms Foo's appointment as Director was announced on 1 February 2021.

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**FORTY-THIRD ANNUAL GENERAL MEETING (“MEETING” OR “AGM”)
PROXY FORM**

IMPORTANT

- The AGM will be held wholly by electronic means pursuant to the COVID-19 [Temporary Measures] [Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders] Order 2020. Printed copy of the Notice of AGM will not be sent to members. Instead, the Notice will be published on and accessed at the Company’s website at the URL https://www.sunright.com/eng/investor_relations.htm and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company’s announcement dated 27 October 2021. This announcement may be accessed at the Company’s website, at the URL https://www.sunright.com/eng/investor_relations.htm and SGXNet, at the URL <https://www.sgx.com/securities/company-announcements>.
- Members will NOT be able to attend the AGM in person.** A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf, at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
- Members who are relevant intermediaries (as defined under Section 181 of the Singapore Companies Act, Cap. 50), including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy should approach their respective relevant intermediary (including CPF Agent Banks or SRS Operators) by 5.00 p.m. on 10 November 2021, to ensure that their votes are submitted.
- Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member’s proxy to attend, speak and vote on his/her/its behalf, at the AGM.
- By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 27 October 2021.

I/We _____ (Full Name), NRIC/Passport/Company Registration No. _____
of _____ (Address)

being a member/members of Sunright Limited (the “Company”), hereby appoint the Chairman of the Meeting, as my/our proxy to attend, speak and vote for me/us on my/our behalf at the AGM of the Company, to be convened and held by way of electronic means, on Monday, 22 November 2021 at 9.30 a.m. (Singapore Time) and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for or against or to abstain from voting on the Resolutions to be proposed at the Meeting as indicated hereunder.

Resolutions	For*	Against*	Abstain*
Ordinary Business			
1. Adoption of the Directors’ Statement and Audited Financial Statements together with the Auditor’s Report thereon			
2. Declaration of Final Dividend			
3. Re-election of Mr Samuel Lim Syn Soo as Director			
4. Re-election of Ms Sandy Foo Fei Ying as Director			
5. Approval of Directors’ fees			
6. 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. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____ 2021

Total Number of Shares Held _____

Signature(s)/Common Seal of Member(s)



IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

Notes:

1. If you have ordinary shares in the Company entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of ordinary shares. If you have ordinary shares in the Company registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register and ordinary shares registered in your name in the Register of Members, you 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 you.
2. In line with the provisions under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit trusts and Debenture Holders) Order 2020, the AGM will be conducted wholly by electronic means and **members of the Company will NOT be able to attend the AGM in person.**
3. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf, at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, 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 appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. Members who are relevant intermediaries (as defined under Section 181 of the Singapore Companies Act, Cap. 50), including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy should approach their respective relevant intermediary (including CPF Agent Banks or SRS Operators) by 5.00 p.m. on 10 November 2021, to ensure that their votes are submitted.
6. The Chairman of the Meeting, as proxy, need not be a member of the Company.
7. The instrument appointing the Chairman of the Meeting as proxy must be duly completed, signed, submitted to and reach the Company in the following manner:
 - (i) by posting to Sunright Limited, c/o Complete Corporate Services Pte Ltd, 10 Anson Road, #29-07 International Plaza, Singapore 079903; or
 - (ii) by sending a scanned PDF copy via email to sunright-agm@complete-corp.com;in either case not less than 72 hours before the time appointed for holding the AGM.
8. The instrument appointing the Chairman of the Meeting as proxy must be signed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting 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.
9. Where an instrument appointing the Chairman of the Meeting as proxy 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 instrument of proxy, failing which the instrument may be treated as invalid.
10. Any alteration made to the instrument of proxy should be initialled by the appointor who signs it.

General:

The Company shall be entitled to reject an instrument appointing the Chairman of the Meeting as proxy 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 instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy 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.

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SUNRIGHT LIMITED

(COMPANY REG. NO. 197800523M)

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