

MINUTES OF THE 44TH ANNUAL GENERAL MEETING HELD AT 10:00 A.M. ON MONDAY, 21 NOVEMBER 2022 AT MEETING ROOM 326, LEVEL 3, SUNTEC SINGAPORE INTERNATIONAL CONVENTION & EXHIBITION CENTRE, 1 RAFFLES BOULEVARD, SUNTEC CITY, SINGAPORE 039593

PRESENT : As set out in the attendance records maintained by the Company.

1.0 INTRODUCTION

- 1.1 Opening and Introduction Mr. Samuel Lim Syn Soo, Chairman of the Board and the Annual General Meeting (“Chairman”), welcomed everyone present to the 44th Annual General Meeting of the Company (“AGM” or “Meeting”).
- 1.2 Chairman confirmed that a quorum was present and declared the Meeting opened.
- 1.3 He said the Board was glad to meet shareholders in person for the first time after almost three years and was delighted to have the opportunity to interact with them face-to-face once again.
- 1.4 Chairman introduced the Directors and the Company Secretary, who were present at the Meeting. He added that representatives from the professional firms were also in attendance, to answer questions on the audit and sustainability related matters.
- 1.5 Procedural Matter on Proxy Chairman advised that Proxy Forms submitted 72 hours before the Meeting had been checked and verified by the Scrutineer. He noted that a number of shareholders had appointed him as their proxy. As such, he would vote according to their specified instructions stated in the Proxy Form. He further added that as shareholder of the Company, he would be proposing all the resolutions.
- 1.6 Procedural Matter on Voting Shareholders were informed that voting on all resolutions would be put to vote by way of poll. Chairman introduced Boardroom Corporate & Advisory Services Pte Ltd and Moore Stephens LLP (“MS”) as the appointed polling agent and Scrutineer respectively. He explained that MS would scrutinise the polling process and verify the results of the poll on each resolution.
- 1.7 Questions in advance of AGM Chairman advised that the Company did not receive any questions from shareholders as at the cut-off time for submission of questions in advance of the Meeting. Nonetheless, questions raised after the said cut-off would be covered in his presentation.
- 1.8 Questions & Answers Procedures Chairman stated that during the course of the Meeting, he and the Directors would respond to questions relevant to the agenda items when the resolution was called upon, unless the questions had already been addressed in his presentation which he would be making shortly. He also sought the understanding of shareholders that the Board would not be able to respond to commercially sensitive questions.

2.0 PRESENTATION BY CHAIRMAN/CEO

- 2.1 Chairman then proceeded to give a presentation covering the following: (a) the challenges faced by the Group during FY2022 which had affected the Group's performance; (b) the changes in the market trend in the semiconductor industry; and (c) the prospect of electric vehicles.
- 2.2 In concluding his presentation, he shared with shareholders (a) the Group's business direction in the next 5 years would be to focus on two markets: processors for Artificial Intelligence and cloud computing, as well as the automotive markets; and (b) the building of capabilities and investment in technical resources, namely: (i) System Level Test for module testing and burn-in, (ii) package testing and burn-in for power management devices; and (iii) the core services.
- 2.3 The presentation slides (attached as Appendix A to this minutes for records purpose) were published on the SGXNet and the Company's website, after the conclusion of the Meeting.

3.0 NOTICE OF MEETING

- 3.1 Chairman reported the Notice of AGM dated 27 October 2022 ("Notice") convening the Meeting had been announced on SGXNet and on the Company's website. With the consent of the Meeting, the Notice was taken as read.
- 3.2 He informed a total of five ordinary resolutions would be tabled for approval at the Meeting.
- 3.3 At the request of the Chairman, Secretary briefed the shareholders, proxies and corporate representatives ("Shareholders") on the rules of conduct for the AGM covering posing of questions and voting rights.
- 3.4 The representative from MS then explained the procedures for the electronic voting. A test resolution to familiarise Shareholders with the electronic voting system was successfully conducted.

ORDINARY BUSINESS

4.0 ORDINARY RESOLUTION 1 – ADOPTION OF DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2022 ("FY2022") AND THE AUDITOR'S REPORT THEREON

- 4.1 Chairman informed the first item on the agenda was to receive and adopt the Directors' Statement and audited financial statements for FY2022 together with the Auditor's Report thereon.

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4.2 Chairman invited questions from Shareholders. The Directors had an open dialogue with the Shareholders on their views, clarifications and comments on the Chairman's presentation and the audited financial statements, a gist of which were summarised in Appendix B attached to this minutes.

4.3 Chairman put Ordinary Resolution 1 to the vote.

4.4 The results of the poll were as follows:

TOTAL NO. OF SHARES REPRESENTED BY VOTES FOR AND AGAINST	FOR		AGAINST	
	No. of shares	%	No. of shares	%
72,914,654	72,891,654	99.97	23,000	0.03

4.5 Based on the poll results, Chairman declared Ordinary Resolution 1 carried and it was RESOLVED:

“THAT the Directors' Statement and audited financial statements for the financial year ended 31 July 2022 together with the Auditor's Report thereon be hereby received and adopted.”

5.0 ORDINARY RESOLUTION 2 – RE-ELECTION OF RETIRING DIRECTOR, MR KENNETH TAN TEOH KHOON

5.1 Shareholders were informed that Mr Kenneth Tan Teoh Khoon was due for rotational retirement under Article 87 of the Company's Constitution and had signified his consent to continue in office.

5.2 Chairman added that upon re-election, Mr Kenneth Tan Teoh Khoon would remain as a Non-Independent Executive Director and continue to serve as a member of the Nominating Committee.

5.3 Chairman invited questions from Shareholders. There being no question, Chairman put Ordinary Resolution 2 to the vote.

5.4 The results of the poll were as follows:

TOTAL NO. OF SHARES REPRESENTED BY VOTES FOR AND AGAINST	FOR		AGAINST	
	No. of shares	%	No. of shares	%
72,961,354	71,248,354	97.65	1,713,000	2.35

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5.5 Based on the poll results, Chairman declared Ordinary Resolution 2 carried and it was RESOLVED:

“THAT Mr Kenneth Tan Teoh Khoon be re-elected as a Director of the Company.”

6.0 **ORDINARY RESOLUTION 3 – RE-ELECTION OF RETIRING DIRECTOR, MR DANIEL SOH CHUNG HIAN**

6.1 Shareholders were informed that Ordinary Resolution No. 3 was to re-elect Mr Daniel Soh Chung Hian, who was also due for rotational retirement under Article 87 of the Company’s Constitution.

6.2 Chairman said Mr Daniel Soh Chung Hian had signified his consent to continue in office. Shareholders noted that upon re-election, Daniel Soh Chung Hian would continue to serve as Lead Independent Director, Chairman of both the Nominating Committee and Audit and Risk Committee, as well as a member of the Remuneration Committee.

6.3 Chairman invited question from Shareholders. There being no question, he put Ordinary Resolution 3 to the vote.

6.4 The results of the poll were as follows:

TOTAL NO. OF SHARES REPRESENTED BY VOTES FOR AND AGAINST	FOR		AGAINST	
	No. of shares	%	No. of shares	%
72,850,254	72,166,254	99.06	684,000	0.94

6.5 Based on the poll results, Chairman declared Ordinary Resolution 3 carried and it was RESOLVED:

“THAT Mr Daniel Soh Chung Hian be re-elected as a Director of the Company.”

7.0 **RESOLUTION NO. 4 – APPROVAL OF DIRECTORS’ FEES OF S\$175,700 IN RESPECT OF FY2022**

7.1 Chairman sought the approval of Shareholders for the proposed payment of S\$175,700 as directors’ fees in respect of FY2022.

7.2 Chairman invited questions from Shareholders. There being no question, he put Ordinary Resolution 4 to the vote.

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7.3 The results of the poll were as follows:

TOTAL NO. OF SHARES REPRESENTED BY VOTES FOR AND AGAINST	FOR		AGAINST	
	No. of shares	%	No. of shares	%
72,948,354	72,233,654	99.02	714,700	0.98

7.4 Based on the poll results, Chairman declared Ordinary Resolution 4 carried and it was RESOLVED:

“THAT the payment of S\$175,700 as directors’ fees in respect of financial year ended 31 July 2022 be and is hereby approved.”

8.0 **RESOLUTION NO. 5 – RE-APPOINTMENT OF MESSRS ERNST & YOUNG LLP AS AUDITOR**

8.1 Shareholders were informed that the Audit and Risk Committee (“ARC”) had proposed the re-appointment of the retiring Independent Auditor, Messrs Ernst & Young LLP (“EY”). The ARC was satisfied that the nature and extent of non-audit services to be provided by EY would not prejudice their independence and objectivity.

8.2 Chairman added EY had also indicated their willingness to continue in office.

8.3 Chairman invited questions from Shareholders. There being no question, he put Ordinary Resolution 5 to the vote.

8.4 The results of the poll were as follows:

TOTAL NO. OF SHARES REPRESENTED BY VOTES FOR AND AGAINST	FOR		AGAINST	
	No. of shares	%	No. of shares	%
72,860,554	72,837,554	99.97	23,000	0.03

8.5 Based on the poll results, Chairman declared Ordinary Resolution 5 carried and it was RESOLVED:

“THAT Messrs Ernst & Young LLP be re-appointed Auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company and that the Directors be authorised to fix their remuneration.”

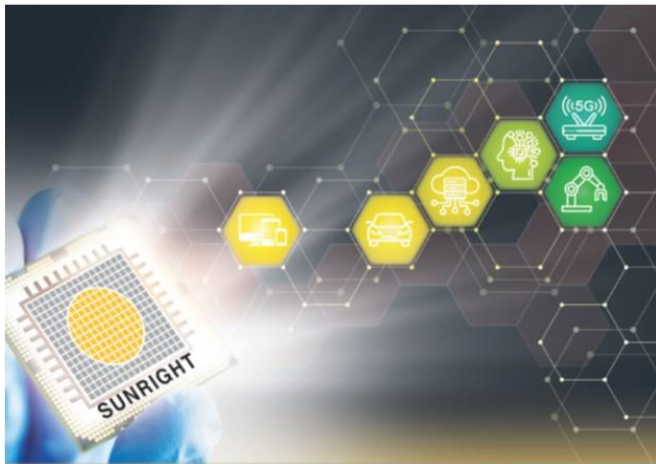
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9.0 CLOSURE

- 9.1 There being no other business to transact, the Chairman thanked everyone present for their attendance and declared the AGM closed at 11:30 a.m.

**CONFIRMED AS A CORRECT RECORD BY:
SAMUEL LIM SYN SOO
CHAIRMAN**

PRESENTATION SLIDES OF EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER



Welcome

**Annual General Meeting
2022**

**Sam Lim
Executive Chairman &
CEO**



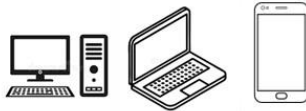
**FY2022 – A Year Of The Great Chip
Disruption**



- The Imbalance Between Supply & Demand Led To Chip Shortages
- Orders For Equipment Were Received But Could Not Be Fulfilled Due To Component Shortages.



2023: A Switch In Market Trend



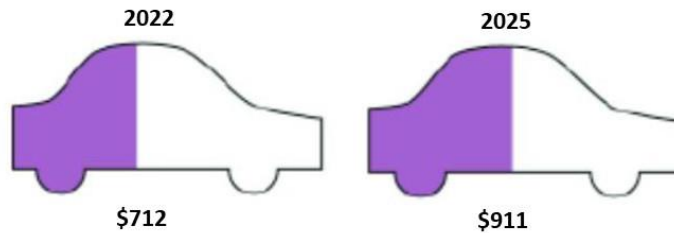
Page 3, 21 Nov 2022



The Future is EV



From Horsepower to Chip Power

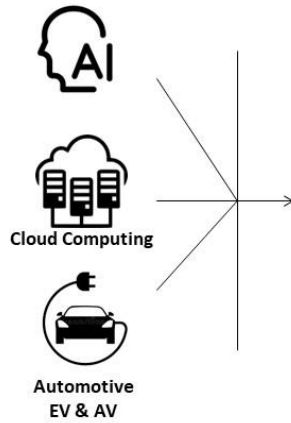


Semiconductor Content In Car  28%

Source: Bloomberg Chart: May 6, 2021
Page 4, 21 Nov 2022



Fundamentals Remain Solid



Increasing Focus In:

- SLT
- Package Test & Burn-In
- Core Services

Page 5, 21 Nov 2022



Thank You

And Stay Safe & Healthy

Sam Lim
Executive Chairman &
CEO

APPENDIX B

SUMMARY OF KEY MATTERS DISCUSSED AT THE 44TH AGM HELD AT 10:00 A.M. ON MONDAY, 21 NOVEMBER 2022 AT MEETING ROOM 326, LEVEL 3, SUNTEC SINGAPORE INTERNATIONAL CONVENTION & EXHIBITION CENTRE, 1 RAFFLES BOULEVARD, SUNTEC CITY, SINGAPORE 039593

Questions

1. Page 65 of the annual report, we can see in FY2022, the Company had made S\$29M investment. Is it for more capacity, more capability, more machines?

2. Look at the semiconductor industry, it was a good cycle for growth, especially the automotive segment despite some shortages. The numbers from all the big players from the world, Infineon, NXP and ST Micro, it has been growth. But for us, last 2-3 years the numbers are under pressure, either the top line or bottom line. What are the main challenges we faced and why there is this disconnection between the overall growth of the industry total segment and our numbers?

Answers

Mostly for new equipment capabilities preparing for the expansion of burn-in/test for automotive devices.

Just before the COVID period, business activities in the automotive industry had already slowed down, due to the US-China trade war followed by the tech war. Thereafter came the outbreak of COVID-19 pandemic, which is long drawn and recovery in the car industry has been slow.

During COVID-19, there were spike demands for consumers products such as video streaming, video games, etc. which require memory chips. The demand for memory chips therefore drives up prices. This is one of the attributing factors for the growth in semiconductor industry. Another reason is on the higher demand for microprocessors, which are installed in desktop, tablets etc.

Sunright serves the automotive market more than the consumer space for burn-in and testing servicing. As such, Sunright performance in the last couple of years have been subdued.

The interest level in buying cars is resuming and driving demand for high-end chips. The companies that support the car industry need the chips but are facing difficulty getting the supply because most of the fabs that produce the high-tech microprocessor products don't have capacity. The imbalance of supply-demand for high-end chips for the car industry is still on-going.

Sunright expects to experience the ongoing global crisis into the 1H FY2023 and hope the 2H FY2023 will be better.

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Questions

3. There is some real capacity with the fab for automotive industry but because of the slowing down for all segments like for consumers, the fab would have more space to manufacture the chips for the automotive design?
4. Is burn-in service still relevant for automotive chips, since we are increasing our capacity in this segment?
5. What is the prospect for System Level Test ("SLT") system. Guess it goes into many types of customers, other than those in the automotive sector.
6. Our main growth driver is for the Equipment segment currently or we have some other?

Answers

The newer components for cars will be introduced, which require new fabs with higher capability to produce such components. The new fab will require 3 years to set up. Meanwhile, the current capacity produced by the fabs are being distributed amongst some of the car manufacturers, until the new fab are ready.

The switch to electric vehicles will require power management devices. In order to ensure longer battery life, the regular silicon wafers will need to be replaced with silicon nitride. Until the yield for the switch is achieved, weeding out unreliable chips via 100% burn-in is the only way.

SLT involves testing a module, which in essence has 3-4 chips within it.

3-4 Years back, Sunright started to test the market with a single test system called "Tiger", with good feedback. After which improvement was made to the design and in partnership with some customers, SLT was subsequently developed.

The SLT system was first installed 2 years ago and it has been qualified for production. Sunright looks forward to continuing deployment of the system for manufacturing, including with other automotive makers.

First, SLT focuses on applications for the car market.

Next, burn-in and test extending to silicon carbide.

Third is the burn-in/test services that we will continue to grow.

These 3 remain our core, our challenges for the new year.

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Questions

7. Page 114 on segment reporting, as previously raised could the results of your Malaysian associate versus the Singapore operations which are more oriented to manufacturing and assembly and the other side of testing and burn-in, presented separately rather than this way which is just everything together with others, which is just corporate expenses etc.
8. KESM profit went down from S\$3.5 million to about S\$700,000 but we reported a loss. So, the manufacturing side had a loss?
9. Is the capital expenditure S\$20 million or more? Please elaborate on this big investment.
10. The S\$32 million investment, is it going to pay off? What is the return of investment?

Answers

Burn-in and test business is reported as one segment primarily because the service and the equipment manufacturing are inter-related businesses. The prospects of burn-in and test business is tied in with the equipment roadmap.

Note 12(c) at page 92 provided the summarised financial performance of the listed associated group. Essentially, KESM group registered revenue of S\$78.9 million whereas Sunright group recorded S\$20 million.

KESM's profit decline was reflected in Note 12(c).

The losses incurred was primarily because of macroeconomic reasons. The shortages of components in the market had resulted in the inability to deliver the equipment orders on time, thereby affecting the performance of our manufacturing business.

\$32 million and majority of the investment is on newer equipment needed for new technology and new capabilities, for automotive devices.

The innovation journey is a long journey, starting off from concept to the time you design and develop the product and get to the market and test the market.

We have been in this business for decades, starting with burn-in to now SLT. We see opportunities but we have got to be careful about where we go. The Company as a whole, in the mid-term and long-term is good because of the market of we are positioned.

Leaving aside the geopolitical issue that we face and we will continue to face, the macroeconomic challenges that we would continue to face, Sunright as a company has been around for 30 over years. We have been able to ride through the bad weathers and we understand how the situation and cycles work. When we have a disruption for long and big, we have to stomach in and figure out how to do, right.

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Questions

Answers

In the technological race, investment in innovation requires stamina to win the game. Time and financial resources will be required and Sunright will continue to do it.

The fear from the mid- to long-term is COVID-19 continues to slow us down, especially if the lockdown in China is prolonged, it is not helpful for us.

If the car market will do good and that is one big break that we are looking for because of all the devices for growth volume is going to be there.

Meanwhile the European and US markets, are reviving, new devices are coming on stream and augur well for us.

If the Chinese buy more cars, there will be demand for more parts and hopefully it will grow the type of activities that we are looking at SLT, as well as devices for the burn-in and test system for the silicon carbide and electric vehicle cars. We are looking forward for that growth.

Another concern is the global supply chain, which will be a long-drawn issue. Hopefully the fab will come fast enough, as three years will be a long wait.

11. I know innovation is important for your business. Will like to understand are you confident that this will pay off notwithstanding the macro looking good, cars and so on, new fabs coming on. But what you are doing, vis-à-vis the competition, and vis-à-vis the customers' needs. Do you think that you will be on top of it having invested S\$32 million. You are going to be more profitable, more revenue?

Having the right customers is the key. We have top world-class customers working with us.

12. Looking at the balance sheet, after spending on the capital expenditure you still have quite a lot of cash. May I ask what is the net cash per share?

About 57 cents per share.

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Questions

13. As shareholders, we want to see higher valuation of the Company, which is low at S\$0.25. When are we going to see some value. If you say we are a growth company, we are high tech, we don't pay high dividend. This year we made a loss, there is no dividend. When we make money, we pay 0.3 cents, which is not even paying 1% of your earnings. If there are 57 cents and if you are not going to use that much, consider paying at least 1 cent.

Will like to hear the Independent Directors' view as well.

14. You mentioned there were 3 segments in last year's revenues. Automotive, Consumers and Services. Would you be able to give a rough breakdown of these segment.

Answers

Market value of the share will rise when the performance is good. Like recently the share price in Malaysia went up when it reported better performance.

There is always robust discussion in every Board meeting and it is the same issue that Independent Directors have raised for discussion and deliberation.

Sunright as a group has two core business activities, burn-in and test services and the equipment manufacturing which are intertwined, despite governed by 2 independent boards. On burn-in and test services under KESM Group, the performance is fine. It is the other leg that we are concerned about the future viability and its sustainability. But Sunright needs to stand on both legs, particularly if we are in the semiconductor industry which is constantly evolving. Therefore, we need to ride the tide and to ensure that we continue to invest in innovative equipment. However, innovative equipment is a long journey and we need to collaborate closely with our business partners.

At every meeting, the cash flow, business proposals and viability etc. are examined. As of now, we believe that the Management has a case to continue on with the equipment manufacturing business, especially COVID-19 is hopefully at the tail end of the road and we can see the end of the tunnel. Hopefully in the year to come, we can report better results to the shareholders. As Independent Directors, our role is to ensure that the interests of the shareholders are well protected.

Automotive 60% and the other 40%.

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Questions

Answers

15. Automotive market, which wave is driving? *Electric vehicle.*
16. In term of nitrogen carbide and silicon carbide, what is the industry adoption of these chips in the new space? *Silicon carbide will be a more stable base to withstand the higher voltages.*
17. I know silicon carbide and helium nitride are much better than pure silicon itself. I believe the industry eventually will shift towards this kind of semiconductors but what is the adoption rate in the next 3-5 years. Do you see the market for this kind of chips growing? In terms of market size, how do you see it? *Believe it will grow in a big way.*
18. Your SLT is for this particular kind of chips? *For chip with more features, the way to test it is to do SLT. More manufacturers are moving towards SLT as it gives them better assurance.*
19. I believe you have spent close to S\$50 million for the past 2 years in terms of capital expenditure and R&D cost. Going forward how much R&D cost you will put in to support or to go along with the customers' growth? *Majority of the capital expenditure are for the core test services and for a number of assorted customers, in the same market space.*
In the innovation space, depending on the product it could be S\$1 million to S\$3 million.
20. What is your capital expenditure for next financial year? *Depends on the rate of market demand for cars, the quality of the customers and the return.*
21. Your maintainable capital expenditure every year is about S\$4 million to 5 million? *Typically, around there.*
22. Glad you take shareholder's comments positively and hope you work hard to make the Company thrive again. Discuss among yourself and brainstorm and look into how you can make your operation more efficient and hope the next Company's meeting we come to a more thriving company. *Design development is necessary and we need to ensure we are in the right track. We are blessed with good customers to support us.*
We are looking forward for whatever we are doing in the new year to respond positively.
23. SLT, burn-in and core service, what is your ratio? *Substantially the core services, 70% to 80%, SLT is new.*

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Questions

Answers

24. You mentioned your SLT is actually facing the component shortage issue so that is why your tester cannot be delivered. Is this chip shortage a customized chip that you require a long lead time?
25. If the FPGA chip is available, you will be able to deliver your machine in one year's time?
26. When you do SLT, basically you put a whole module. The whole module is one chip with several devices or several chips inside the module?
27. Is there any other supplier that can supply the same type of FPGA? Or there is no way that you just have to stick with this sole supplier?
28. If we have the supply, how much will it help with top line
29. Higher repair and maintenance cost of S\$1.5 million, is this number going to be there for the next year?
30. There is a write-down of S\$700,000. Can this be re-used again or it is going to be obsolete?
31. Can inventory write-down be planned so that we can avoid it, e.g. by not building it into a finished product?
32. Customer base comprise 4 customers, who contributed 80%. How can we enlarge the customer base?
- The chips that have long delivery lead time is in the burn-in and test area. They are very high-end product, e.g. FPGA.*
- Yes.
- Same package with more than one device, i.e. package module. Test them altogether.*
- Not easy to switch vendor. Better off to wait for the next spin of product.*
- Immediately, if we have the steady supply.*
- There are sporadic periods of time when machines are shut down during COVID-19 pandemic. As such, more restoration expenses on the equipment were incurred. Going forward, with the inflationary environment, repair and maintenance cost is expected to be higher.*
- When we prepared the financial statements, we took the view that the inventories should be impaired.*
- If opportunity arises and there are certainty of using them, it is possible.*
- The higher than normal inventory provision was due to the scaling down of the EMS business.*
- The Group operates in an oligopolistic industry.*