



ANNOUNCEMENT

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
PRE-SUBMITTED BY SHAREHOLDERS IN RELATION
TO THE COMPANY'S 42ND ANNUAL GENERAL MEETING ("AGM") TO BE HELD
BY ELECTRONIC MEANS ON MONDAY, 23 NOVEMBER 2020 AT 9:30 A.M.**

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

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

QUESTIONS	RESPONSES
<p>Q1. On page 3 of the Annual Report 2020, Exec Chairman & CEO mentioned "expanding capabilities into system level and die-level". Please elaborate what are these system level and die-level testing.</p>	<p><i>The testing method is called, System Level Testing or "SLT". This testing can be achieved on a package, module, substrate or die level. The strategy for what gets tested, when it gets tested, and how it will be tested on SLT, differs from manufacturer to manufacturer.</i></p>
<p>Q2. It was mentioned in Chairman's statement: There are tremendous growth opportunities for System level testing (SLT) which will progressively lead us to a new and fast growing photonics market. Kindly provide more details on the photonics market in terms of how important it is to the semiconductor industry, its current and potential total addressable market and why we choose to focus on it, etc.</p>	<p><i>Customers are finding new ways to improve reliability. SLT is one of the approaches. We are providing SLT solution to a sensor manufacturer. This opportunity is important because it has given us confidence in moving into a new application. With this success, our next focus is to build up our capabilities for die level testing and burn in with expectation to progressively move into the photonics market. Photonic devices are gaining momentum such as laser diodes, optical sensors and so on. All these are new products and new applications which are driving the needs for reliability.</i></p> <p><i>The photonics market was USD 686.86 billion in 2019, and is estimated to reach USD 1,080.3 billion by 2025, at a CAGR of 7.89% over the forecast period (2020-2025). [Source: Mordor Intelligence]</i></p>

- Q3. On page 13 on Managing the Impacts of Covid-19, how is the current surge in Covid-19 cases in Malaysia affecting your plants?
- The operating facilities in Malaysia had been operating under Movement Control Orders and strict Ministry of Health Standard Operating Instructions. We are vigilant in compliance of the various measures in place and continue to take further measures, where necessary, in protecting our employees, stakeholders and importantly to support the smooth operations of our facilities for our customers.*
- Q4. Sunright being a technology company, Research and Development (R&D) plays a very important role in our success and survival. Kindly provide the details for the past 5 years on our spending in R&D as well as the number of successful patents and pertinent details of the patents. And besides patents, what other form of intellectual properties will we be able to claim as our achievements.
- We do not do pure research. All our developments are related to product design improvements or applications. We patent our products to protect our designs and inventions before we commercialise our products. Cumulatively, the Group has been granted a total of fourteen patents relating to automation and burn-in and test technologies. More continuing filings are in progress. As we increase more developments, we plan to grow our technical team.*
- Q5. Kindly provide details on our R&D, example details of the team, the no. of PHD, masters etc. and overall number of employees, our areas of focus etc.
- Refer to response in Q4 above.*
- Q6. In 2019 Annual Report, a 7-year innovation journey was mentioned, kindly help us understand more about this journey, example why was it only a 7-year journey, did we not invest in innovation prior to that?
- In FY2019 following the downsizing of our distribution activities, we reaffirmed our commitment and strengthened our innovation plan with employees. As part of our corporate culture, we initiated a “7-Year Innovation Journey”. Our desire is to build better leaders and create a competitive organisation to enhance our product offerings in collaboration with customers and suppliers.*
- Q7. It was also mentioned we are “targeting to deliver our first major installation in April 2021 for testing and burn-in of sensors.” Kindly provide more details on how substantial and important is this major installation. And does this mean that we will finally be reaping satisfactory financial returns from our years of investment in this area?
- This is a new product providing solution using the combined technologies of test and burn-in, and automation handling. It is premature to expect multiple orders until we have satisfactorily delivered to our customer.*

Q8. Will this installation in April 2021 for testing and burn-in of sensors be done for KESM our subsidiary to be the service provider for our customer, thereby KESM will earn recurrent service revenue from this customers for the foreseeable future?

The customer has the prerogative to select and renew its service vendors.

Q9. Besides photonics, does our SLT capabilities has commercial applications in other fields or markets? Kindly provide details of our progress in them. If there are only potential commercial applications, kindly advise where will be our focus beside photonics.

We are looking forward to expand from sensors to photonics applications.

Q10. On page 122, under Note 30 on Material litigation, should shareholders be concerned that this item is still outstanding in the AR2020 since it was 1st reported in AR2019? Please explain why this case is still not closed as during the last AGM in 2019, the Exec Chairman & CEO said that the company being claimed against was sold 30 years ago.

As disclosed in Note 30 of our Annual Report 2020, the Company's position has always been that there is no merit to the allegations made against our U.S. subsidiary named KESU Systems & Service, Inc. ("KESU"), which no longer exists post-restructuring of our U.S. entities. KES Systems, Inc., our sole surviving U.S. entity is taking all steps to vigorously resist and refute any and all allegations or claims made against KESU.

The claim, which was filed in State court in Midland, Texas, alleged that KESU (and several other companies) had caused environmental contamination when it was operating a factory in Midland, Texas, a factory that was sold more than two decades ago. Claimants have not produced any evidence that the former KESU operation contributed to the complained of contamination.

Last year, the Claimants applied for bankruptcy protection in the U.S. Federal courts, which resulted the claim against KESU in Texas state court being stayed pending resolution of the Federal bankruptcy proceeding. You may refer to the disclosure made under Note 30 of our Annual Report 2019, for more details.

On 17 June 2020, the Company announced that the Claimants had been granted a motion to lift the "Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceeding," after which a schedule was set to revive the legal process in the case against KESU and the co-defendants. The significant delay caused by Claimants' bankruptcy case in turn delayed the Company's efforts to seek dismissal of the case.

- Q11. On page 84, under Note 8 Profit/(loss) before tax, why is the number for Salaries and bonuses still elevated in 2020 with the ongoing Covid-19 and most business activities locked down?
- The nominal increase in the line item “Salaries and bonuses” for Directors of Subsidiaries, reflected the annual increment, which was effected at the beginning of the financial year, before Covid-19 Pandemic.*
- Q12. There is a net gain on disposal of property plant and equipment of \$2.9m, kindly provide us some colours on it, what kind of items are disposal and why there are such significant profit?
- Disposed items mainly pertained to disposal of excess apartments to house operators as well as disposals of used machinery and test equipment as our customers transit to newer platforms for newer products.*
- Q13. In relation to Resolution 2, The Company has very strong Total Net Financial Assets of S\$90.7 million with Cash & Short Term Deposits of S\$103.3 million. In view that Sunright has turned profitable in FY2020 with extremely strong balance sheet, why is the dividend declared only \$0.003 per share, not in line with market practice?
- The Board maintains a sustainable dividend policy and recognises the diverse interests of our Company and stakeholders.*
- The nature of our business, in the cyclical semiconductor industry, coupled with heavy capital expenditure necessary to capitalise on growth opportunities and the developmental nature of our equipment business necessitates the Board to look into the interest of the Company not only in the immediate but in the mid to long term needs and opportunities.*
- Q14. Will the company consider dividend policy that is seen by investors as more progressive. There are best practices out there that consider payout ratio and others that allow investors to have more certainty. The current approach of the company reserves the entire flexibility of dividend payment to the board. When view together with the strong cash balance and healthy balance sheet, our dividend payment/policy has been a big negative to potential investors.
- The Board, further considers factors such as the level of Company’s cash, reserves, payout quantum, results of operations, its expected financial performance, business prospects, capital requirements, general financing condition, contractual restrictions, financial assets of its listed subsidiary, etc. in its deliberation.*

Q15. Currently there are very little avenue for investors to understand about our company's products and services and its investment merits. Will the company increase its engagement with the market. I understand that there are research analysts who are interested to look at our company, will our company be willing to interact with them. Research analysts are an important part of the ecosystem in SGX. They can initiate research coverage on our company, thereby helping investors and shareholders to better know our company. Will the company be willing to provide more depth in its Management discussion and analysis in its result announcement? Will the company be willing to conduct result briefings or investor days?

We have consistently provided supplemental non-mandatory press releases in conjunction with each of our financial results announcements to engage with the shareholders and investment community on the latest industry and/or market happenings. In addition, information about the Group's products and services are also provided in our annual reports and on the Company's website. Hence, we will like to encourage shareholders and investors to visit our Company's website to gather information to better understand us.

We appreciate research coverage, or investors' day conference and conduct result briefings whenever necessary, with interested parties.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary

21 November 2020