



SUNRIGHT LIMITED

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THE PROPOSED DISPOSAL OF APPROXIMATELY 34.62% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF KESM TEST (M) SDN BHD TO KESM INDUSTRIES BERHAD

1. INTRODUCTION

1.1. The board of directors (the “**Board**”) of Sunright Limited (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) wishes to announce that the Company and KESM Industries Berhad (Company No. 13022-A) (“**KESMI**”), an associated company of the Company and a company listed on the Main Board of the Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”), has on 13 February 2015 entered into a conditional share sale agreement (the “**SSA**”) for the sale and disposal by the Company to KESMI of 692,308 ordinary shares of par value RM1.00 each (the “**Sale Shares**”) in KESM Test (M) Sdn Bhd (Company No. 345857-W) (“**KESM Test**”), representing approximately 34.62% of the total issued and paid-up share capital of KESM Test, free from all encumbrances and with all rights, benefits and entitlements together with all dividends and distributions attaching thereto as at the date of the SSA (the “**Proposed Disposal**”).

1.2. Chapter 10 of the Listing Manual

The Proposed Disposal is a major transaction under Rule 1014 of the listing manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) and the Group will comply with the relevant requirements of Chapter 10 of the Listing Manual, which requires approval of the shareholders of the Company (“**Shareholders**”).

1.3. Upon the completion of the Proposed Disposal, the Company will cease to have a direct interest in KESM Test.

1.4. Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia

The Proposed Disposal is considered a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia and is therefore subject to and conditional upon, *inter alia*, the approval of non-interested shareholders of KESMI.

2. **BACKGROUND INFORMATION ON KESMI AND KESM TEST**

2.1. **Information relating to KESMI**

As at the date hereof, KESMI, a public limited liability company incorporated and domiciled in Malaysia, is 48.41%-owned by the Company. The principal activities of KESMI are investment holding and provision of semiconductor burn-in services.

2.2. **Information relating to KESM Test**

As at the date hereof, the authorised share capital of KESM Test, a private limited company incorporated in Malaysia, is RM10 million only divided into 10,000,000 ordinary shares of RM1.00 each (the “**Ordinary Shares**”), out of which RM2 million only divided into 2,000,000 Ordinary Shares are fully issued and paid-up. The Company and KESMI are the legal and beneficial owners of 692,308 Ordinary Shares in KESM Test and 1,307,692 Ordinary Shares in KESM Test respectively, representing approximately 34.62% and 65.38% of the total issued and paid-up share capital in KESM Test respectively. KESM Test does not have any subsidiaries or associated companies.

The directors of KESM Test as at the date hereof are Samuel Lim Syn Soo, Kenneth Tan Teoh Khoon, Tuan Haji Zakariah Bin Yet and Yong Chee Hou.

The principal activity of KESM Test is the provision of semiconductor testing services.

3. **THE PROPOSED DISPOSAL**

3.1. **Consideration**

The aggregate consideration of the Proposed Disposal is RM35.00 million (approximately S\$13.23 million)¹ (the “**Consideration**”).

¹ Unless otherwise stated, in this Announcement, all conversion from Ringgit Malaysia to Singapore dollars and cents are based on the exchange rate of S\$0.378 to RM1.00.

The Consideration was arrived at through arm's length, commercial negotiations between the Company and KESMI, on a "willing-buyer, willing-seller" basis after taking into account the price-to-earnings multiple ("**PE Ratio**") of approximately 6.4 times of the profit after tax of KESM Test of approximately RM15.76 million (approximately S\$5.96 million) based on its audited financial statements for the financial year ended 31 July 2014.

3.2. Terms of Payment

The Consideration shall be fully satisfied by KESMI in cash.

3.3. Value of Sale Shares

The net tangible asset value of the Sale Shares as recorded in the audited financial statements of KESM Test for the financial year ended 31 July 2014 was S\$13.64 million. No valuation was conducted in respect of the Sale Shares.

3.4. Loss from the Proposed Disposal

Based on the audited financial statements of the Group for the financial year ended 31 July 2014 ("**FY2014**"), the net loss attributable to the Sale Shares for FY2014 is S\$0.41 million.

3.5. Use of Proceeds from the Proposed Disposal

The Group expects to receive net proceeds of approximately S\$13.03 million (after deducting estimated expenses of approximately S\$0.20 million from the Proposed Disposal). The proceeds from the Proposed Disposal represents a deficit of S\$0.61 million over the net asset value of the Sale Shares as at 31 July 2014. The Group intends to utilise the net proceeds for product development innovations and to build on highly complex board design capabilities, for working capital requirements, as well as general corporate purposes and/or reducing the bank borrowings of the Group.

Pending the deployment thereof, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purpose on a short term basis, as the directors of the Company may deem appropriate in the interests in the Group.

3.6. Conditions Precedent

The Proposed Disposal is conditional on the following:

- (a) the grant of the approval from the Shareholders in general meeting for the sale, purchase and transfer of the Sale Shares in accordance with the terms and conditions contained in the SSA;

- (b) the grant of the approval from the shareholders of KESMI in general meeting for the sale, purchase and transfer of the Sale Shares in accordance with the terms and conditions contained in the SSA;
- (c) the grant of the approval of the Ministry of International Trade and Industry of Malaysia / the Malaysian Investment Development Authority for the sale, purchase and transfer of the Sale Shares in accordance with the terms and conditions contained in the SSA and such approval not having been revoked on or before completion of the Proposed Disposal; and
- (d) the grant of the approval by any other relevant authority and/or third party (if applicable).

Barring any unforeseen circumstances, the application to the regulatory authority(ies) in relation to the Proposed Disposal is expected to be made within one (1) month from the date of this announcement.

In the event that any of the conditions above is not fulfilled or has not been duly waived by the Company or KESMI (as the case may be) on or before a date falling six (6) months from date of the SSA (unless otherwise extended by mutual agreement between the parties in writing), then either the Company or KESMI shall be at liberty to forthwith terminate the SSA by giving notice in writing to the other party.

3.7. **Completion**

Subject to the SSA becoming unconditional in accordance with the terms and conditions of the SSA and provided always that there is no material breach or non-observance of any of the terms and conditions of the SSA by the Parties, the completion of the sale, purchase and transfer of the Sale Shares shall not be later than three (3) Business Days from the date on which the last of the conditions set out in paragraph 3.6 is fulfilled or otherwise waived in accordance with the terms and conditions of the SSA, unless otherwise extended by mutual agreement of the Company and KESMI in writing.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Disposal to be completed by first (1st) half of the calendar year 2015.

3.8. **Termination**

If prior to completion of the Proposed Disposal, a party to the SSA (being the Company or KESMI) shall have committed an event of default (the “**Defaulting Party**”) which is not capable of remedy or which is capable of remedy but not remedied by the Defaulting Party within fourteen (14) days from the date of receipt

of the notice from the other party (the “**Non-Defaulting Party**”) detailing such event of default, the Non-Defaulting Party shall be entitled to:

- (a) terminate the SSA forthwith by notice in writing to the Defaulting Party without prejudice to all other rights and remedies available at any time to the Non Defaulting Party; or
- (b) claim for specific performance.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The current shareholding structure of the Company’s investment in KESM Test is a legacy structure following the termination of a joint venture partnership arrangement in relation to KESM Test.

The Proposed Disposal will rationalise the Company’s interest in KESM Test, as the test business will be wholly owned by KESMI, the latter being a significant associated group of the Company. This will allow KESMI and KESM Test to dictate the pace of growth of the test business which requires high capital expenditure and taking into account the test business’ investments risk and rewards.

The Proposed Disposal also provides additional resources for the Group in expanding its product portfolio and new product development. The Group intends to introduce new innovations with differentiated values by building on its patented solutions in burn-in and test technologies.

The focus on equipment development will further complement KESMI’s burn-in and test investment roadmap and enable both the Group and KESM Group to provide advanced total burn-in and test solutions to their blue chip customer base.

5. FINANCIAL EFFECTS

The financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion of the Proposed Disposal. The proforma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2014, being the end of the most recently completed financial year.

(a) Net tangible assets (“NTA”) per share

Had the Proposed Disposal been effected on 31 July 2014 (being the end of FY2014), the Proposed Disposal would have had the following financial effects on the Group’s NTA per share as at 31 July 2014:

For FY2014	Before Proposed Disposal	After Proposed Disposal
Net tangible assets (S\$’000)	71,750	71,137 ⁽¹⁾
Number of shares (’000)	122,806	122,806
Net tangible assets per Share (S\$)	0.58	0.58

Note:

(1) *After deducting the estimated transaction expenses of approximately S\$200,000 incurred in relation to the Proposed Disposal and loss on disposal of S\$413,000.*

For clarification purposes, the above proforma effects have not taken into account the impact of the interim dividend for the financial year ending 31 July 2015 declared by KESM Test on 5 February 2015 amounting to RM30.00 million, of which the Company’s proportionate share is RM10.39 million (approximately S\$3,926,000). Had the interim dividend been accounted for, the net tangible assets and net tangible assets per Share would be S\$75,063,000 and S\$0.61 respectively.

(b) Earnings per share (“EPS”)

Had the Proposed Disposal been effected on 1 August 2013 (being the beginning of FY2014), the Proposed Disposal would have had the following financial effects on the Group’s EPS for FY2014:

For FY2014	Before Proposed Disposal	After Proposed Disposal
Group profit after tax (S\$'000)	135	(1,066) ⁽¹⁾
Weighted average number of shares ('000)	122,806	122,806
Earnings/(loss) per share (cents)	0.1	(0.9)

Note:

(1) *After deducting the Company's direct proportionate share of profits derived from KESM Test of approximately S\$1,201,000.*

For clarification purposes, had the loss on disposal of S\$413,000, estimated transaction expenses of S\$200,000 and the interim dividend of S\$3,926,000 been accounted for, the group profit after tax and EPS would be S\$2,247,000 and 1.8 cents respectively.

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

6.1. General

Under Chapter 10 of the Listing Manual, a transaction will be classified as a "major transaction" if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, shareholders' approval must be obtained for the "major transaction".

6.2. Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal and based on the audited consolidated financial statements of the Group for FY2014 are set out below.

(a)	Rule 1006(a) – The net asset value of the assets to be disposed of, compared with the Group’s net asset value	19.01%
(b)	Rule 1006(b) – The net profits attributable to the assets to be disposed of, compared with the Group’s net profits	More than 100%
(c)	Rule 1006(c) – The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	82.89%
(d)	Rule 1006(d) – The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the transaction is a disposal.
(e)	Rule 1006(e) – The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- Net asset value (“**NAV**”) of the Sale Shares to be disposed of as at 31 July 2014 = S\$13.64 million

NAV of the Group as at 31 July 2014 = S\$71.75 million

Relative figure = 19.01%
- Net profit attributable to the assets disposed for FY2014 = S\$1.20 million

Net profit of the Group for FY2014 = S\$0.14 million

Relative figure = >100%

3. The aggregate value of the Consideration to be received by the Group = S\$13.23 million

The Company's market capitalisation based on the total number of issued shares excluding treasury shares multiplied by the weighted average price of such shares transacted on the market day preceding the date of the SSA = S\$15.96 million.

Relative figure = 82.89%

6.3. **Major Transaction**

As the relative figures computed on the bases set out in Rules 1006(b) and 1006(c) of the Listing Manual exceeds 20% as at the date of this Announcement, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual and is conditional upon the approval of Shareholders at a general meeting.

7. **SERVICE CONTRACTS**

No new directors are proposed to be appointed to the Board in connection with the Proposed Disposal. As such, no service contracts will be entered into with any new director of the Company in connection with the transaction.

8. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED DISPOSAL**

Mr. Samuel Lim, Mr. Kenneth Tan and Ms. Lim Mee Ing, being directors of the Company, are also directors of KESMI.

Save as disclosed above and other than through their shareholdings in the Company, none of the Directors and as far as the Directors are aware, none of the controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

9. CIRCULAR TO SHAREHOLDERS

The Company will convene an extraordinary general meeting (“**EGM**”) to seek the approval of the Shareholders for the Proposed Disposal and a circular to Shareholders setting out further information on the Proposed Disposal, together with the notice of EGM to be convened, will be despatched to Shareholders in due course.

10. DOCUMENT FOR INSPECTION

Copies of the SSA are available for inspection during normal business hours at the registered office of the Company at Block 1093 Lower Delta Road #02-01/08 Tiong Bahru Industrial Estate Singapore 169204 for a period of three (3) months from the date of this Announcement.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
13 February 2015