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Issuer: Sunright Limited

Stock code: S71

Meeting details:

Date: 22 Nov 2024

Time: 10.00 a.m.

Venue: Meeting Room 330, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Q1. Revenue for the financial year ended 30 June 2024 decreased by 7% to \$82.0 million.

Although the chairman's statement highlights a profit of \$2.2 million as a *'notable recovery from the \$(3.1) million loss in the previous year,'* it's important to note that this profit was significantly influenced by a one-off net gain of \$8.86 million from the disposal of property, plant, and equipment. Without this disposal, the group would have reported a larger loss.

- (i) **Could management provide shareholders with a clearer understanding of the cost-cutting measures implemented and their impact on the underlying operational performance?**

In addition, the chairman noted several observations in his statement, including *"well positioned to benefit from the significant uptick in market activity, particularly in AI-driven sector..... our diverse customer base in the artificial intelligence ("AI") and electric vehicles ("EV") offer potential growth opportunities...."*

- (ii) **Can the board explain the primary factors behind the revenue decline despite high demand in the AI and EV sectors? What external or internal challenges contributed to this trend?**
- (iii) **What portion of current revenue is attributed to AI and EV sectors?**
- (iv) **What are the targeted efforts within high-growth areas like AI and EV to ensure the group captures increasing market share and maximises revenue potential?**

The AI trend has already benefitted companies such as Nvidia, which is now the most valuable company in the world. Nvidia's revenue has risen exponentially based on demand for its AI chips.

- (v) **Could management elaborate on the group's strategic positioning to capture market share in the AI and EV sectors?**
- (vi) **What are the key risks that might limit the group's ability to gain new customers/orders?**
- (vii) **How is the board monitoring management's execution capabilities to drive long-term, sustainable value for all shareholders, especially minority shareholders?**

Q2. As disclosed in Note 24 on Related party disclosures, compensation for key management personnel (KMP) increased to \$2.90 million from \$2.71 million, despite a decline in revenue and a larger operating loss.

24. Related party disclosures

Compensation of key management personnel

	Group	
	2024	2023
	\$'000	\$'000
Salaries, bonuses and fees	2,747	2,550
CPF and other defined contributions	155	156
Total compensation paid to key management personnel	2,902	2,706

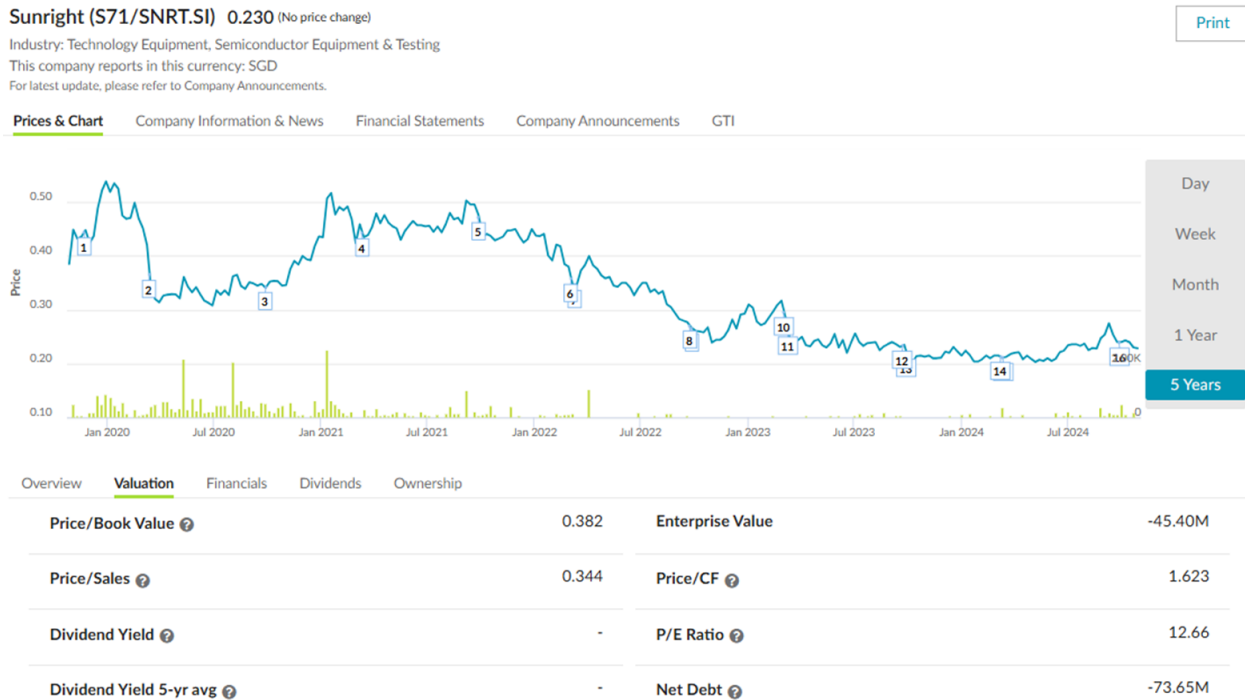
The remuneration of key management personnel are determined having regard to the performance of individuals and market trends.

(Source: company annual report)

- (i) **Could the company provide a detailed breakdown of the KMP compensation to enhance transparency for shareholders?**
- (ii) **Could the RC provide insights on how KMP performance was assessed in relation to the group's overall financial performance and strategic goals? Are there specific metrics tied to revenue growth, cost management, or other key performance indicators that justified the compensation increase?**
- (iii) **How does the remuneration committee (RC) ensure that current compensation practices are aligned with shareholders' interests? Specifically, can the RC clarify how the level and structure of remuneration meet Principle 7 of the Code of Corporate Governance 2018 in terms of appropriateness and proportionality to sustained performance and value creation?**
- (iv) **Has the board reviewed total shareholder return (TSR) over a full market cycle or over a 10-15 year period?**
- (v) **Could the nominating committee (NC) elaborate on its succession planning for directors, particularly the executive directors? What is the current bench strength, and what measures are in place to ensure leadership continuity and a robust pipeline of talent?**
- (vi) **How successful has the group been in attracting and retaining young, high-potential executives who can make a positive difference in the group's financial performance?**

Q3. According to SGX StockFacts, the company currently trades at a price-to-book value of 0.38 times and has a price-to-earnings ratio of ~13 times. The group has cash and short-term deposits of \$95.1 million and is in a net cash position of \$69.1 million.

The company’s share price has trended down over the past five years (see stock price chart below) and remains significantly below its COVID lows.



(Source: <https://investors.sgx.com/securities/stocks?security=S71>)

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea’s Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that “corporate values” of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (i) **Could the board, particularly the independent directors, explain the group’s efforts to increase corporate value and improve capital efficiency?**
- (ii) **Aside from just acknowledging external market factors, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**

- (iii) **Has the board evaluated the benefits of share buybacks, including off-market purchases such as an equal access offer, as a means to return value to shareholders?**

The company has not declared a dividend for FY2024, citing ongoing industry volatility and challenges.

- (iv) **Are there any major capital expenditures planned?**
- (v) **Given the company’s significant cash reserves, has the board considered a capital reduction to allow shareholders to make individual capital allocation decisions?**
- (vi) **What is the strategic value of keeping KESM Industries Berhad listed on Bursa? Has the board assessed strategic options for KESM, including potential privatisation?**

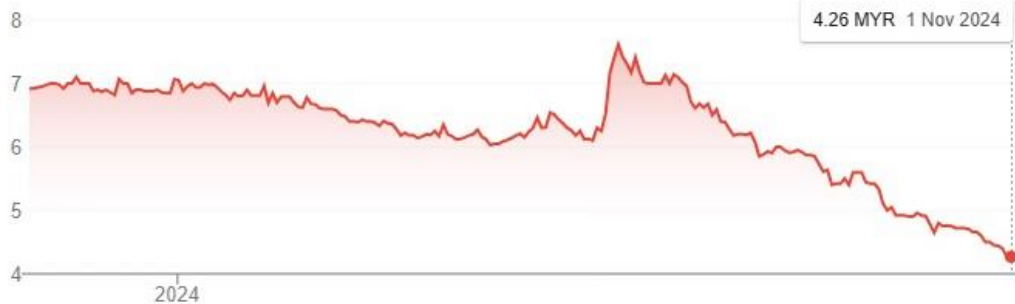
Market Summary > KESM Industries Berhad

4.26 MYR

-2.66 (-38.44%) ↓ past year

1 Nov, 9:47 am MYT • Disclaimer

1D | 5D | 1M | 6M | YTD | **1Y** | 5Y | Max



Open	4.26	Mkt cap	183.24M	52-wk high	8.16
High	4.26	P/E ratio	974.83	52-wk low	4.26
Low	4.26	Div yield	1.76%		

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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