

**QUARZ CAPITAL MANAGEMENT ISSUES OPEN LETTER TO THE MANAGEMENT AND
BOARD OF SUNNINGDALE TECH LTD (SGX: BHQ)**

ALL RECIPIENTS ARE ADVISED TO READ
“IMPORTANT DISCLOSURE INFORMATION”
AT THE END OF THE ATTACHED LETTER

**OPPORTUNISTIC TAKEOVER OFFER BY SUNRISE AT S\$1.55 PER SHARE
SEVERELY UNDERVALUES SUNNINGDALE TECH**

**SHAREHOLDERS SHOULD UNITE AND NEGOTIATE FOR BETTER PRICE
OR VOTE DOWN PROPOSED TAKEOVER**

January 14, 2021

Dear Mr. Koh, Mr Khoo and Members of the Board,

Quarz Capital advises entities that collectively own more than 6% of the shares of Sunningdale Tech Ltd (the “Company”, “Firm”, “Sunningdale Tech”, “Sunningdale”, “SUNN” or “SUNN”). We have been a long-term shareholder of Sunningdale Tech which is one of the leading precision plastic engineering players globally with manufacturing facilities in Singapore, China, Malaysia, Indonesia, Mexico and Brazil.

Sunrise Technology Investment Holding (“Sunrise”) which is mainly owned by Mr. Koh Boon Hwee and Novo Tellus PE fund 2 (helmed by Mr Loke Wai San), had announced a takeover offer for Sunningdale Tech on 9 November 2020.

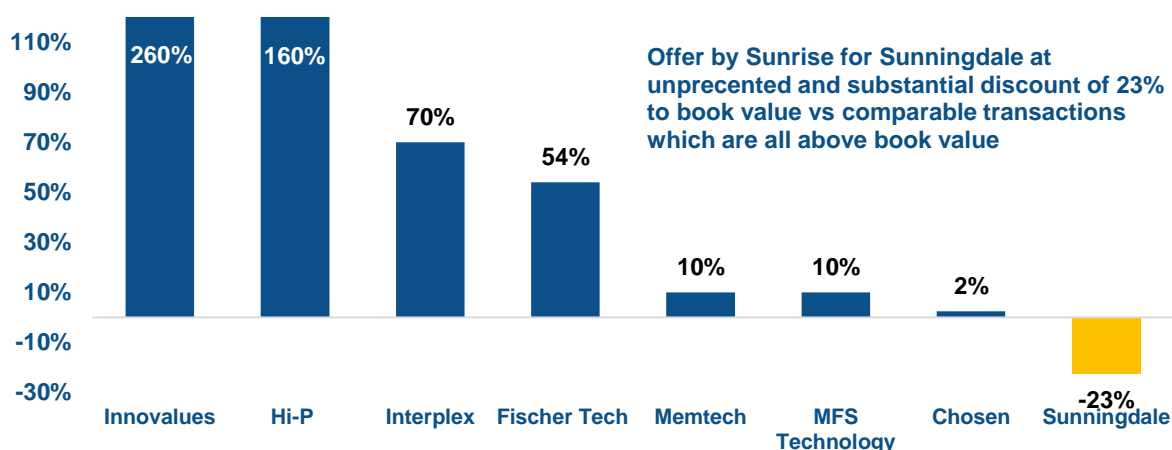
Since the takeover bid was announced, we have been approached by minority shareholders together holding more than 4% of Sunningdale’s shares, **who have shared their serious concerns about the undervalue offer by Sunrise. We are in complete agreement with them that the ‘opportunistic bid’ by Sunrise at S\$1.55 per share is too low and significantly undervalues Sunningdale Tech.**

Takeover Offer at Unprecedented and Substantial Discount to NAV and Comparable

The proposed takeover price at S\$1.55 per share is at a significant discount of more than ~22% to Sunningdale’s Book Value of close to S\$2.00¹ per share. Since 2013, the takeovers of comparable companies to Sunningdale have been completed at a premium to book value. This is despite the substantial majority of these comparable companies having been traded at below book value prior to the takeover. This relegates the **‘convenient excuse’ to justify the takeover offer for Sunningdale at a substantial discount to book value for the reason that the company has traded below book value in 2019 and 2020**), completely irrelevant and absurd.

¹ Based on 1H2020 Financial Results Announcement

Price to Book of Takeover Offer by Sunrise for Sunningdale vs Comparable Transactions



Parties in the Takeover Consortium have Purchased Sunningdale's Shares >\$1.55

The lowball offer is even more obvious when compared to Mr. Koh Boon Hwee's approximate purchase of 1,000,000 shares in Sunningdale Tech for ~\$1.59 per share (S\$1.59million) in March 2017 and 12,998,000 shares for ~S\$1.72 (~S\$22.3million) in April 2017. Given that Sunningdale has been consistently profitable from 2017-2020 with its net asset value sharply increasing from S\$1.78 in Dec 2016 to nearly S\$2.00 in Sept 2020, it is quite conclusive that the company is currently worth more than in 2017 when Mr Koh Boon Hwee purchased his shares at S\$1.72 per share. In fact, Sunningdale share price has traded far above S\$1.55 per share in 2017.

'Highly Opportunistic' Timing by the Shareholders of Sunrise

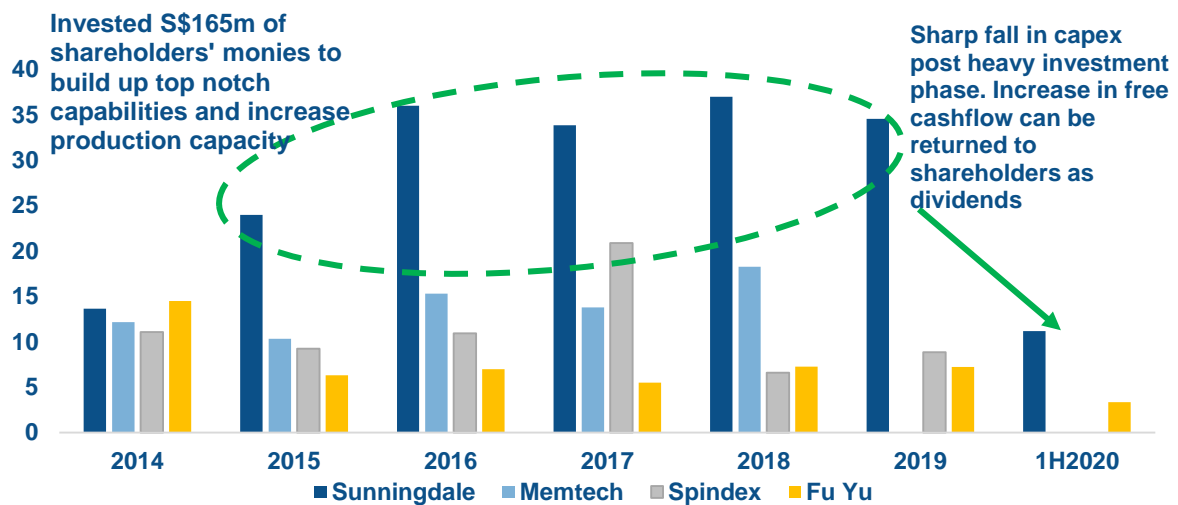
The takeover timing for Sunningdale Tech by the 2 biggest shareholders of Sunrise appears to be 'highly opportunistic'.

Sunningdale had not long ago completed a heavy and extended investment phase lasting from 2015-2019. **While Core Net Profit during this period was ~S\$130million, the company only paid out ~S\$65million as dividend. Profits retained, cash flow, and proceeds of ~S\$29million from the sale of the factory in Zhongshan totaling ~S\$165million (~S\$0.86 per share) of shareholders' monies were invested to build new factories to increase production capacity, purchase cutting edge technology and equipment and ramp up the technology expertise of Sunningdale Tech.**

In particular, Sunningdale had embarked on a centralization and shift of its China production from Shanghai to lower cost Chuzhou. This included the construction of its 'megafactory' of more than 500,000sqft in Chuzhou and fitting out with the state-of-the-art equipment, which was expected to result in substantial benefits from increase in efficiencies due to economics of scale and lower labor cost.

Sunningdale also completed its sizeable Penang plant in late 2018 with advanced cleanroom facility to expand its healthcare business alongside its strong automotive and consumer products components segments.

'Privatizing' the Potential Future Increase in Free Cash Flow to Consortium Parties



Sunningdale's shareholders, including minority shareholders such as ourselves, have endured an extended period of low profitability and return as the company incurred duplication, shifting, and ramp up expenses during which the company substantially built up its production capability and volume in the 2 new plants. The ramp up process was almost completed in late 2019 which would have resulted in a sharp increase in profitability in 2020. However, this was disrupted by the impact of COVID-19 in 2020.

Nonetheless, the resilience of Sunningdale's profitability and operations, which can be attributed to its substantial investment in high end technology, is evident in 1-3Q2020's results. Despite the major lockdown issues globally which heavily disrupted demand and operations, Sunningdale achieved \$8.2m of profitability in 1H2020.

As the lockdown and business disruptions slightly eased in 3Q2020, Sunningdale's profitability jumped to a remarkable S\$10.4m of Net Profit in 1 quarter! Excluding one-off items such as governments grant, the core Net Profit of S\$8.7m in 3Q2020 was 57% higher Year-on-Year compared to 3Q2019.

Sunningdale was also one of the earliest players to build up a high-quality surgical mask lines in Singapore to support the healthcare sector. It was involved in the production of the TraceTogether token and Becton Dickinson rapid COVID-19 test kits. This is in addition to Sunningdale's existing broad based tier 1 clientele base with diversified MNCs such as Continental, Magna, Gemalto, Dyson, Roche, Phillips and HP.

Given Sunningdale's leading capability built up due to the heavy investments made by all shareholders from 2015-2019, **we forecast that Sunningdale can achieve a net profit of >S\$36.5m in 2021E (P/E 2021E of 8.1x, EV/EBITDA 2021 of 3.3x) which makes Sunrise's lowball offer at S\$1.55 per share absolutely ludicrous.**

'Capping Return' to Minorities and 'privatizing the substantial upside' for Sunrise, in particular Novo Tellus

It is thus shocking that instead of allowing long-term minority shareholders who have been with Sunningdale through 'thick and thin' to benefit from higher profitability from the investments and ramp up of production, the takeover consortium is seemingly 'privatizing the substantial upside' for itself. In particular, **why did Novus Tellus led by Mr Loke Wai San**

choose not to buy a 24% stake in Sunningdale directly from the open market? This would have allowed Sunningdale's shareholders to choose whether to sell the shares to him or remain invested in the Company.

Is it because the price that Novus Tellus would have to pay to purchase the 24% stake from the market will be substantially higher than the lowball takeover price of S\$1.55 per share by the consortium? Why should shareholders such as ourselves allow Novus Tellus or Mr Loke to take advantage of us through this inferior takeover offer and 'subsidize' his Private Equity Fund?

Mr Lok Wai San was appointed as an independent director of Sunningdale Tech in July 2018. As an independent director, besides owing fiduciary duties to the Company, he also has a role in safeguarding the interest of minority shareholders of Sunningdale. It is only through his position as an independent director of Sunningdale which enabled him access to firsthand information and to gain deeper insights into the operations and strategy of Sunningdale which were unavailable to any external bidders unless the bidders were to provide a firm commitment. It is thus surprising when Mr Lok teamed up with the takeover consortium to launch a lowball bid for Sunningdale Tech on 9 November 2020. He was then suddenly redesignated as a non-independent director of the Company overnight on 12 November 2020.

'Myth' that shareholders can elect to be part of Sunrise and benefit from the upside

A number of shareholders who intend to vote for the transaction believe that they will be able to convert all their shares into Sunrise and potentially benefit from the enlarged upside by going private with the consortium.

We would like to clarify to these shareholders that while Sunningdale's free float is over 65% of Sunningdale's total shares, the maximum number of shares in Sunrise allocated to shareholders who elect to join Sunrise is potentially less than 14%² of Sunningdale's total shareholding.

Assuming that the holders of all 65% of the free float would elect to convert their Sunningdale shares into Sunrise's shares, only 20% of their Sunningdale shares will be converted due to the pro-rata mechanism. This means that these shareholders who thought that they will be able to fully convert their Sunningdale shares into Sunrise's shares and benefit from the upside will be forced to sell 80% of their shareholding at S\$1.55 per share to the takeover parties! Even if only holders of 28% of Sunningdale shares elect to convert their shares, only half of their shares will be converted and they will be forced to sell their remaining 50% shares at S\$1.55 per share.

In essence, minorities holding more than 65% of the total Sunningdale shares are made to squeeze into the 'pin-hole' of ~14% in the takeover consortium. On the other hand,

² Based on the Joint Announcement on 9 November 2020 (pg 3), each Scheme Shareholder can elect S\$1.55 of cash per share or 1,550 shares of Sunrise. However, the maximum number of Sunrise shares which can be issued is 49,834,136,123. Given that Yarwood and Mr Goi Seng Hui are also considered as Scheme Shareholders and will be allocated at least 3% each in Sunrise, the maximum number of Sunrise shares which can be allocated to other scheme shareholder (minorities) is only 39,867,309. Dividing this number by 1,550 into equivalent shares of Sunningdale Tech, we obtain a share count of 25,720,844 or 13.3% of Sunningdale's total shareholding

the consortium parties will quadruple their 15% shareholding in Sunningdale Tech to more than 60% of Sunrise in any situation at the expense of all other shareholders!

It is distressing that the takeover offer seems to be designed to potentially take advantage and 'shortchange' minority investors whether or not they choose to go private with Sunrise, with only the consortium parties emerging as the clear winners. Smaller shareholder who do wish to convert their shares into the illiquid unlisted shares of Sunrise can be 'especially penalized'. The biggest beneficiary in particular seems to be Novo Tellus Fund who will basically build up a 24% stake in Sunningdale at S\$1.55 per share on the backs of 'shortchanged' investors.

We urge Mr Koh Boon Hwee to protect minority shareholders and negotiate for a fairer deal

Mr Koh Boon Hwee is widely respected as one of the top industrialists in Singapore with a prominent track record of achievements.

It is incomprehensible why Novus Tellus Fund 2 and Mr Loke Wai San should be allowed to benefit disproportionately through this lowball takeover offer by 'shortchanging' minority shareholders of Sunningdale Tech who have consistently and unwaveringly supported the company and management for many years. In fact, many of these shareholders are retail investors who have invested in Sunningdale Tech due to the strong reputation of Mr Koh Boon Hwee.

We call on Mr Koh Boon Hwee as the Chairman of Sunningdale Tech and the Securities Industry Council (SIC) to protect the interest of minority shareholders such as ourselves and negotiate for a fairer deal.

QUARZ CAPITAL IS OPEN FOR CONSTRUCTIVE NEGOTIATION WITH THE BIDDER FOR A PROPOSED TAKEOVER PRICE IN LINE WITH THE INTRINSIC VALUE OF SUNNINGDALE TECH LTD.

WE ARE ACTIVELY ENGAGING WITH OTHER SHAREHOLDERS WHO ALSO SHARE SIMILAR VIEWS THAT THE CURRENT PROPOSED PRICE SIGNIFICANTLY UNDERVALUES SUNNINGDALE TECH. WE WILL SHARE OUR VIEWS AND ENGAGE WITH ALL SHAREHOLDERS TO ENSURE THAT ALL PARTIES ARE PROVIDED WITH THE NECESSARY INFORMATION TO MAKE AN INFORMED DECISION.

WE HAVE PROVEN IN THE PAST THAT WE WILL MAKE GOOD ON OUR PROMISE TO VOTE DOWN LOWBALL PROPOSALS AND THAT WE ARE CAPABLE OF UNITING MINORITY SHAREHOLDERS AGAINST HOSTILE TAKE OVER OFFERS WELL BELOW BOOK VALUE.

WE INVITE ALL SUNNINGDALE TECH SHAREHOLDERS TO VISIT AND REGISTER AT THE WEBSITE WE HAVE PREPARED FOR INFORMATIONAL PURPOSES AT WWW.PROTECTSUNNINGDALE.COM.



Sincerely yours,

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IMPORTANT DISCLOSURE INFORMATION
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