

GLOBAL TESTING CORPORATION LIMITED
(Incorporated in Singapore)
(Registration No. 200409582R)

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS
IN RESPECT OF THE ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022**

The Board of Directors (the "**Board**") of Global Testing Corporation Limited ("**Global Testing**" or the "**Company**" or the "**Group**") refers to:

- (a) the annual report of the Company for the financial year ended 31 December 2021 (the "**Annual Report**"); and
- (b) the notice of annual general meeting ("**AGM**") issued on 14 April 2022 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Friday, 29 April 2022 at 10:00 am.

The Board and Management would like to thank the Shareholders of the Company ("**Shareholders**") for submitting their questions in advance of the AGM. As there is some overlap of questions received from Shareholders, the Company has grouped similar questions together, it will not be providing responses to every question received.

Please refer to **Annex A** for the Board and Management's responses to the substantial and relevant questions received from Shareholders.

By order of the Board

Chen Tie-Min
Senior Executive Director
24 April 2022

Annex A

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS IN RESPECT OF THE ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2022

Question 1

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>In the Annual Report it was mentioned that testing prices rose in tandem with the increase in semiconductor prices. May I know how often semiconductor testing prices are revised for Global Testing (once a month, twice a year etc.)? Is semiconductor testing prices fixed at a certain percentage of the type of semiconductors being tested?</i>
<i>(ii)</i>	<i>On page 2 of Annual Report 2021, the group states that "Additionally, the chip shortage since late 2020 has led to the prices of semiconductors increasing, with testing prices also rising in tandem." We could understand that the price of semiconductors increases because due to chip shortage, demand outstrips supply of chips. But why would testing prices also rise in tandem?</i>

It was mentioned in the FY2021 Annual Report that testing prices rose in tandem with the increase in semiconductor prices. How often are semiconductor testing prices revised for the Company? Are testing prices fixed at a certain percentage of the price of the semiconductors being tested?

Company's response

There is no specific timing for revision of testing prices. The testing prices are dependent on market supply and demand. Management is closely monitoring the market and will make any adjustments accordingly.

Question 2

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>Does Global Testing have any plans to test semiconductor devices used in artificial intelligence applications? Any plans to test other semiconductor devices beyond the current mixed signals, logic and contact image sensors?</i>
<i>(ii)</i>	<i>The company's core business has been testing mixed signals, logic and contact image sensors but has recently extended its niche to automotive and commercial applications. What specifically are these commercial applications? What proportion of total sales are related to the automotive and commercial applications for FY 2021?</i>
<i>(iii)</i>	<i>What is the proportion of the automotive segment in our revenues? What are the other segments?</i>
<i>(iv)</i>	<i>Referring to page 3 of the AR, could the company explain in greater detail what exactly is its testing for "automotive applications and for commercial applications" and thus help share holders understand better if this segment is sustainable?</i>
<i>(v)</i>	<i>Noticed that the business started building capabilities for automotive devices since 2017. a) is this geared towards electric vehicles or passenger vehicles in general? b) does the margin profile vary from testing for logic / mixed signal for PC / smart phones?</i>
<i>(vii)</i>	<i>On page 3 of the Annual Report 2021, the group states that "Having expanded our niche in recent years to include testing for automotive applications and for commercial applications, Global Testing's core business also encompasses testing mixed signals, logic and contact image sensors in our key markets.". "Commercial applications" did not appear in prior years Annual Report. Could you give some examples of "Commercial applications"?</i>
<i>(viii)</i>	<i>Could you give a ballpark figure or range on the group revenue from the automotive devices industry compared to prior year(s)?</i>

- a. Referring to page 3 of the FY2021 Annual Report, can the Company explain in greater detail what testing for "automotive applications and for commercial applications" entail?*
- b. What proportion of total sales are related to automotive applications and commercial applications?*
- c. Does Global Testing have any plans to test semiconductor devices used in artificial intelligence applications? Any plans to test other semiconductor devices beyond the current mixed signals, logic and contact image sensors?*

Company's response

In recent years, the Group has widened its testing capabilities to include areas such as security image sensors and high and low temperature processes for use in the up-and-coming technology fields. Automotive applications refer to semiconductor chips used in vehicles, while commercial applications include semiconductor chips used in non-consumer industrial applications.

The Group does not disclose revenue by product application segment due to business sensitivities and competitive reasons.

The Group currently does not have any plans to venture further into a different segment of the industry and is focused on its main business segment, which is to provide testing services. Nonetheless, the Group look forward to diversifying within its main business segment into emerging application areas to meet the latest technological requirements.

Question 3

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>Is the management confident of sustaining the good sales and profit shown in FY 2021 in subsequent years? Has the company managed to secure a strong order book in order to sustain the good performance?</i>
<i>(ii)</i>	<i>If chips shortage were to recover, would global testing's business be in trouble?</i>
<i>(iii)</i>	<i>On note 10, it is stated that "Management prepares cash flow forecasts derived from the most recent financial budgets approved by the Board of Directors for the next five years with growth rate for revenue based on the industry growth forecast and customer base, factoring in raised uncertainties where necessary." Could the company share the industry growth forecast or share its info source to help shareholders understand the longer term prospects of the company?</i>
<i>(iv)</i>	<i>What are the management's thoughts on FY2022's sales forecast given existing supply chain situation and relatively robust front-end semiconductor demand</i>
<i>(v)</i>	<i>On page 1 of Annual Report 2021, the group states that "The Group has also extended its testing capability and established its niche in the provision of wafer testing services for automotive applications and for commercial applications." How does the recent global chip shortage for automotive affect the group?</i>
<i>(vi)</i>	<i>On page 2 of the Annual Report 2021, the group states that "The improvement in Global Testing's top line was largely due to the favourable conditions in the Taiwan semiconductor industry, which produces a large supply of the world's semiconductors." We noted that your revenue from Japan and Singapore also saw growth of 123.8% and 148.4% respectively. The combined revenue from Japan and Singapore of US\$16.391m is more than revenue from Taiwan of US\$14.712m. Could we say that the improvement in Global Testing's top line was due to favourable conditions in the global semiconductor industry instead or there are some gaps in our understanding?</i>

- a. *How does the global chip shortage for automotive affect the Group?*
- b. *Referring to page 2 of the FY2021 Annual Report, the Group stated that "The improvement in Global Testing's top line was largely due to the favourable conditions in the Taiwan semiconductor industry, which produces a large supply of the world's semiconductors." We noted that your revenue from Japan and Singapore also saw growth of 123.8% and 148.4% respectively. The combined revenue from Japan and Singapore of US\$16.391m is more than revenue from Taiwan of US\$14.712m. Could we say that the improvement in Global Testing's topline was due to favourable conditions in the global semiconductor industry instead or there are some gaps in our understanding?*
- c. *Can the Company elaborate on its outlook and order book?*
- d. *Can the Company share more about the industry growth outlook? If the chip shortage were to recover, would Global Testing's business be affected?*

Company's response

The improvement in the Company's topline in the financial year ended 31 December 2021 ("FY2021") was largely due to the favourable conditions in the Taiwan semiconductor industry, which is producing a large supply of the world's semiconductor chips. During Covid-19, Taiwan's supply of semiconductor chips was minimally disrupted.

The Group's business is in testing semiconductor chips. Through improving its production efficiency and cost management, the Group's bottomline has grown as well.

While chip production was maintained, the increase in demand for semiconductor chips during Covid-19 led to the chip shortage. The shortage is expected to last till early 2023, as more manufacturers and foundries expand their facilities.

Despite global macroeconomic headwinds in the form of the Russia-Ukraine war, rising inflation, supply chain disruptions and chip shortage ending, the Group is cautiously optimistic on the outlook for the financial year ending 31 December 2022. The Group remains focused on delivering quality testing services to all clients and growing its orderbook. It will also continue to exercise financial prudence and seek ways to enhance its operational efficiency to maximise long-term shareholders' value.

Question 4

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>How much capital expenditure can we expect for the next financial year (approximately the same as FY 2021 or lower/higher)? Does the company encounter difficulty in purchasing new equipment due to the ongoing supply chain disruption and shortages in semiconductor chips? What proportion of the existing company's testing equipment are on lease arrangement and how does the company decide to whether to lease them instead of purchasing new equipment?</i>
<i>(ii)</i>	<i>What was our utilization rate in FY2021 and do we need to expand our testing capacities in FY2022?</i>
<i>(iii)</i>	<i>Capex. The company is spending more on capex. What is the long term plan for the company in investing in PPE? What is the rate of recovery (to recoup) the investments in capex?</i>
<i>(iv)</i>	<i>At listing, you indicated your recognized rates, which fluctuated within a range of 40-80% roughly. Can you share what your recognized rates are for past 5 years?</i>
<i>(v)</i>	<i>Could you share the reasons for declining capex over the years? Is this driven by long lifespan PPE or by a shift towards a more asset-light model?</i>

- a. *What was our recognised rate for the past five years?*
- b. *Do we need to expand our testing capacities in FY2022? How much capex can we expect for the next financial year; will it be approximately the same, higher or lower as compared to FY2021?*
- c. *Has the Company encountered difficulties in purchasing new equipment due to the ongoing supply chain disruptions? What is the Company's long-term plan with regards to investing in property, plant and equipment ("PPE") and what is the rate of return on such investments?*
- d. *What is the proportion of the Company's equipment on lease arrangement?*

Company's response

The rate of utilisation for the Group remains healthy. It is not commonplace to disclose the recognised rate figures in the semiconductor testing industry.

The Company typically sets aside US\$5 million to US\$8 million for capital expenditure ("CAPEX") requirements. The Group reviews its CAPEX requirements carefully on a quarterly basis and utilises the CAPEX budget prudently in order to meet the ongoing needs and demands of the Company, while taking into account any industry challenges. The Board and management work closely to review market demand and CAPEX requirements prudently to provide capacity with flexibility to meet our customer's needs and deal with market demand fluctuations.

Question 5

<i>Question from shareholder is reproduced below “as-is”.</i>	
<i>(i)</i>	<i>Deferred Tax assets of 2m. Will there be a possibility of more to be recognized in future?</i>

Regarding the deferred tax assets of US\$2m in FY2021, is there a possibility of more to be recognised in the future?

Company’s response

The Group has recognised deferred tax assets (liabilities) of US\$2.0 million on the basis that the Group’s performance has turned around in FY2021, and Management expects the Group to continue generating sufficient taxable profits in the foreseeable future to utilise the tax losses.

Deferred tax assets may be recognised in the future as the Group continues to generate sufficient taxable profits.

Question 6

<i>Questions from shareholders are reproduced below “as-is”.</i>	
<i>(i)</i>	<i>There are very big players in the testing industry. What is our competitive edge? Is our relative limited size an issue?</i>
<i>(ii)</i>	<i>Referring to page 3 of AR, can the company elaborate a bit more on its strengths e.g. it stated that it is backed by its strong engineering capability. For e.g. isn’t global testing using other brand’s testing machines? How sustainable is its current testing business? Wouldn’t Semicon players (e.g. like TSMC) invest in its own testing capability? Why should they outsource to Global testing?</i>
<i>(iii)</i>	<i>Besides King Yuan, Ardentec, Winstek, who do you see as your competitors?</i>

Is there a possibility of other semiconductor players investing in its own testing capability? What is Global Testing’s competitive advantage compared to peers? Is our relatively limited size an issue?

Company’s response

The Group has a strong commitment to stringent quality controls. It has also built up close working relationships with its customers.

Over the years, the Group has focused its attention on widening its testing capabilities to areas such as security image sensors, as well as high and low temperature processes to leverage the growth in the automotive industry. The Group has been known in the testing industry for its capability in testing high-end IC/Wafers. In order to maintain its competitiveness in the industry, the Group has continued investing and widening its testing capabilities for automotive and commercial applications, in line with specifications provided by customers.

The Group is well-positioned to take on large scale projects and pursue new business opportunities globally.

Question 7

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>Did we have any one off project for our customers that was completed during FY2021 and will not be recurrent in the future?</i>
<i>(ii)</i>	<i>Do we have long term contracts with our main customers? What is the visibility we have on our revenues?</i>
<i>(iii)</i>	<i>Can the company elaborate how management is helping to make its business more sustainable with its long term customers? Eg lock in long term contracts?</i>
<i>(iv)</i>	<i>Major customers. In note 24, top 3 customers contributed 7m, 6m, 5m revenue in 2021. Does the company secure long term contracts with these customers? How does the company plan against customer concentration risks?</i>
<i>(v)</i>	<i>At listing, your largest customers were the likes of TSMC, Marvell, Ali etc. Are they still your major customers? Have you managed to win new customers since 2017, especially with automotive device capability?</i>

- a. *At listing in 2005, your largest customers were TSMC, Marvell, Ali, etc. Are they still your major customers? Have you gained new customers since 2017, especially with the expanded capability to test for automotive applications?*
- b. *Referring to page 83 of the FY2021 Annual Report Note 24 to the Financial Statement, the top 3 customers contributed US\$7m, US\$6m and US\$5m of revenue in FY2021. Does the Company have long term contracts with these customers? How does the Company plan against customer concentration risks?*

Company's response

We are unable to provide more details on our customers due to business sensitivities and competitive reasons.

We welcome all kinds of business and projects from customers, as long as we are able to accommodate the order based on our facilities.

While the Group has established close working relationships with our customers, we are constantly seeking opportunities with new customers to expand our customer base, and to diversify our revenue sources.

Question 8

<i>Question from shareholder is reproduced below "as-is".</i>	
<i>(i)</i>	<i>Geographical spread of revenue. Could the company share its strategies on diversification? Does the company see better growth prospects with Taiwan, Japan, Singapore and Thailand going forward? What is happening to PRC? And why is US revenue not growing?</i>

Can the Company share its strategies on geographical diversification? Does the Company see better growth prospects with Taiwan, Japan, Singapore and Thailand going forward? What is happening to PRC? And why is US revenue not growing?

Company's response

The business in the People's Republic of China ("PRC") and United States ("US") markets were mainly affected by the trade tensions between the two markets, where US restricted the export of technological products to the PRC. The PRC was also affected by the strict COVID-zero policy.

The Group has established both long-term and close relationships with customers in its key geographical markets i.e. Taiwan, Japan and Singapore, and it will continue to focus on growing its business in these markets.

Question 9

<i>Question from shareholder is reproduced below "as-is".</i>	
<i>(i)</i>	<i>Special thanks to global testing board for the generous dividend. Could the company share its thinking behind its dividend policy as well as its thinking behind cash management?</i>

Special thanks to the Board for the generous dividend. Can the Company share its thinking behind the dividend policy as well as cash management?

Company's response

The Company would like to take the opportunity to assure Shareholders that the Board and Management had discussed this matter at length and performed all due diligence necessary to ensure that existing cash flow will be sufficient for the Group's requirements, including its growth, before proceeding with the dividend recommendation of SGD0.20.

The Group manages the capital to ensure all its entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. It looks to ultimately deliver returns to stakeholders on a long-term basis by growing its business and operations, which may require the Group to make CAPEX investments and setting aside finances for additional working capital, among others.

Question 10

<i>Questions from shareholders are reproduced below "as-is".</i>	
<i>(i)</i>	<i>Are there any investor outreach events which you are planning to drive awareness of your business and positive outlook? It seems to me that you have a solid underlying business, with the right secular trends backing it, but markets may not understand the business well, which explains the <5x P/E</i>
<i>(ii)</i>	<i>With regards to "ENGAGEMENT WITH SHAREHOLDERS", could the group provide a presentation deck during the AGM to give shareholders a good overview of the group business operation in the semiconductor supply chain and its outlook?</i>
<i>(iii)</i>	<i>With regards to "ENGAGEMENT WITH SHAREHOLDERS", could we suggest the group provide a platform to allow shareholders to ask questions at the AGM during the Live Webcast?</i>

- a. *Are there any investor outreach events that the Company is planning to drive awareness of your business and positive outlook? It seems that you have a solid underlying business, with the right secular trends backing it, but markets may not understand the business well, which explains the <5x P/E.*
- b. *Can the Group provide a presentation deck during the AGM to give shareholders a good overview of the group business operation in the semiconductor supply chain and its outlook?*
- c. *Can the Group also look into providing a platform to allow shareholders to ask questions at the AGM during the live webcast?*

Company's response

We will take your recommendations into consideration.

Investors can find comprehensive information about the Company, including news releases, annual reports, presentations, financial results and stock exchange announcements on the Company's corporate website.