



## GRAND VENTURE TECHNOLOGY LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 201222831E)

### ANNOUNCEMENT

---

#### RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE PROPOSED ACQUISITION OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF ACP METAL FINISHING PTE LTD (THE “PROPOSED ACQUISITION”)

---

The Board of Directors (“**Board**” or the “**Directors**”) of Grand Venture Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcements dated 30 November 2023 and 5 December 2023 in relation to the Proposed Acquisition (the “**Previous Announcements**”).

*Unless otherwise defined, capitalised terms and references used herein shall bear the same meanings ascribed to them in the Previous Announcements.*

The Company has received the following queries from the SGX-ST on 5 December 2023 (the wordings in italics reproduced verbatim from the SGX-ST’s queries received) and has set out its corresponding responses in the paragraphs below:

#### **Query 1:**

*On ACP Metal Finishing Pte Ltd (the “**Target**”): Please disclose details on its revenue model, its current orderbook, tenure of its contracts and the capacity of the Target in the electro-plating and surface treatment services and how this is related to or is complementary to the Company’s existing operations.*

#### **Company’s response to Query 1:**

The Target generates its revenue mainly from (a) chemical processing work including anodizing, cleaning, descaling, electroless processes and general plating; and (b) non-destructive testing. It serves precision engineering manufacturers in the aerospace, life sciences, optics, medical and semiconductor industries, and charges its customers on a cost-plus margin model for the services required according to its customers’ requirements for each part or component. The utilisation of the Target’s process lines is estimated to vary between 50% to 70% throughout the year, depending on the processes involved.

Given the nature of the services provided by the Target as described in the above, the lead time for these orders is generally between three (3) days to three (3) weeks. For this reason, (i) the customers of the Target typically place orders with the Target on an as-needed basis via purchase orders; (ii) the Target does not typically enter into any long-term contracts with its customers; and (iii) the Target maintains a rolling order book which is not large.

The Target holds accreditations from multiple aviation agencies for certain of its competencies and capabilities, including the National Aerospace and Defense Contractors Accreditation Program (NADCAP), the Federal Aviation Administration (FAA), the Civil Aviation Authority of Singapore (CAAS) and the European Union Aviation Safety Agency (EASA). In addition, it is on the approved vendor list of some of the key aerospace manufacturers. For these reasons, the Target has

seen continued and sustained orders from its customers. In particular, the Target has a longstanding working relationship of over 20 years with 14 of its top 25 customers.

The Target's competencies in surface treatment capabilities such as anodizing, electroless processes and general plating are complementary to the Group's operations as surface treatment is a critical process required by many of the Group's customers, especially in the aerospace, semiconductor, life sciences and medical segments. The Group currently relies on third parties for these services. In this regard, the Proposed Acquisition is in line with the Group's strategy to provide a full suite of services to better serve its customers and reduce its external reliance for surface treatment services.

The Proposed Acquisition, together with the Company's previous acquisition of J-Dragon Tech (Suzhou) Co., Ltd. (the "**J-Dragon Acquisition**"), will enhance the Group's competencies in the aerospace segment and expand its customer touchpoints in this segment from mainly China to include Singapore and the region. In addition, the Proposed Acquisition is essential for the Group's long-term competency build to further penetrate the front-end semiconductor segment, and to equip the Group with a differentiated advantage.

**Query 2:**

*The Company was introduced to the Target through its business associates. To disclose the identity of this introducer who is the business associate of the Target and how this business associate is known to the Company and its director(s) and key management. To disclose if any introducer fee is payable by either the Target or the Company or their relevant related parties.*

**Company's response to Query 2:**

The Company was first connected to the Target through the Business Development Manager of the Target who had read about the proposed J-Dragon Acquisition and spoke to one of the sellers of J-Dragon Tech (Suzhou) Co., Ltd. thereafter to enquire about the Company's interest in acquiring the Target. The management of the Company was then put in contact with the Target for further information on the Target and to explore a potential acquisition opportunity. There is no connection (including business relationship) between the Target's Business Development Manager and the Directors or substantial shareholders of the Company, and no introduction fee is payable by either the Target, the Company or their relevant related parties, to the Target's Business Development Manager.

**Query 3:**

*We noted that the Target has an issued and paid-up share capital of S\$0.25 million, net tangible asset ("**NTA**") value and book value of S\$14.4 million. The Company further mentioned that the aggregate consideration of S\$17 million for the acquisition of the Target was arrived taking into consideration factors that include, inter alia "technical performance and niche capabilities of the Target for the aerospace sector, the net asset value of the Target, the revenue of the Target, the net book value of the property of the Target as at 30 June 2023, and other potential benefits that may accrue to the Group."*

*a. Please disclose the latest FY revenue and FY net profit of the Target and that of the most recent interim financial period.*

*b. To disclose the net book value and the net tangible asset value of the Target.*

*c. In addition, please disclose the net book value of the property that was taken into account and whether this was based on a recent valuation report and if so, the latest valuation of the property in comparison to its net book value. To also provide details of the property.*

d. Please elaborate further on various consideration factors cited that contribute to the aggregate consideration for the Target that is 18% higher than its net tangible asset value and book value and 67% higher than its paid-up share capital, notwithstanding that it had incurred net losses of S\$0.71 million in 1H2023.

e. Please disclose if there was a valuation done on the Target to arrive at the consideration of S\$17 million. If so, please state the latest available valuation, valuation methodology, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation.

**Company's response to Query 3:**

a. The Target's financial year end ("FY") is 30 September 2023. The financial figures of the Target for the following financial periods are as disclosed below:

	<b>(Unaudited) 1 Jan 2022 to 31 Dec 2022</b>	<b>(Unaudited) 1 Jan 2023 to 30 Sep 2023</b>	<b>(Audited) FY 1 Oct 2021 to 30 Sep 2022</b>	<b>(Unaudited) FY 1 Oct 2022 to 30 Sep 2023</b>
<b>Revenue</b>	S\$17,993,000	S\$11,091,000	S\$18,073,000	S\$14,957,000
<b>Net profit / (loss)</b>	S\$1,104,000	(S\$633,000)	S\$1,530,000	(S\$758,000)

b. The net book value and net tangible asset value of the Target are disclosed as follows:

	<b>(Audited) As at 30 Sep 2022</b>	<b>(Unaudited) As at 31 Dec 2022</b>	<b>(Unaudited) As at 30 Sep 2023</b>
<b>NTA and net book value</b>	S\$15,249,000	S\$15,121,000	S\$15,091,000

c. References to the property of the Target relate to two (2) plots of land, one at JTC Private Lot No. A0801601, located at 4 Joo Koon Circle Singapore 629036, and another at JTC Private Lot No. A13550, located at 6 Joo Koon Circle Singapore 629037, and includes the building(s) erected or to be erected thereon.

In determining the Consideration, the Company had taken into account the net book value of the property of the Target of S\$9.7 million as at 30 June 2023. The Target had subsequently commissioned Premas Valuers & Property Consultants Pte Ltd to conduct a valuation of the property, the valuation of which indicated that the market value of property as at 28 July 2023 was S\$10.3 million. The Company, through its banker, had also obtained indicative valuations from valuers on two separate occasions, the indicative valuations being S\$11.0 million and S\$11.2 million as at 27 October 2023 and 18 July 2023 respectively.

d. The Consideration for the Proposed Acquisition was arrived at after an arms' length negotiation on a willing buyer willing seller basis.

More importantly, the Group had considered the critical requirements of having in-house capabilities in surface treatment, which would contribute towards providing a full suite of services to its customers across the aerospace,

semiconductor, life sciences and medical segments. The Group could potentially look into extending such capabilities to its other production facilities in Singapore, Malaysia (Penang and Johor) and China (Suzhou) to better serve its customers.

As part of its business strategy, the Group looks towards gaining a larger share of wallet from its customers and unlocking more project opportunities. Having such capabilities in-house would allow for better control of quality, process consistency and lead time management. Strategically, this translates to a differentiated service offering and enables the Group to provide a one-stop solution for its customers. The key benefits to be realised are expected to be more pronounced in the aerospace and front-end semiconductor segments.

These capabilities would enhance the Group's competencies in the aerospace segment and expand its customer touchpoints in this segment from mainly China to include Singapore and the region. This would also increase the level of project participation and internal value-add in serving the Group's aerospace customers. The Group could potentially realise synergies in the customer base via cross-selling within the aerospace segments.

Furthermore, obtaining capabilities in cleaning and surface treatment is critical to serving the Group's front-end semiconductor customers and the Group believes that having in-house control of quality, process consistency and lead time management would help accelerate the Group's penetration and expansion in the front-end semiconductor segment. The Group would be more strategic in its customers' end-to-end engagements from precision machining, complex sheet metal and mechatronics assembly, and would also be able to provide cleaning and surface treatment services. Overall, the Proposed Acquisition is expected to improve the Group's time to market, grow its share of wallet and increase the level of internal value-add in the Group's front-end semiconductor segment.

- e. The Company had taken into account, among others, the net asset value of the Target, the revenue of the Target, the net book value of the property of the Target as at 30 June 2023, and other potential benefits that may accrue to the Group including the incremental benefits from the Proposed Acquisition and other factors as set out in the Company's response under (d) above, during its internal valuation process conducted throughout the negotiation process of the Proposed Acquisition to determine the Consideration. The Company did not commission a separate valuation specifically in respect of the Sale Shares to be acquired pursuant to the Proposed Acquisition.

#### **Query 4:**

*On the financial effects to the NTA and EPS for the Group after the proposed acquisition illustrated:*

*a. Please disclose the unaudited financial figures of the Target used to compute the financial effects to the Group's NTA and EPS as at 31 December 2022 and 30 June 2023 respectively. To explain why there was an increase in EPS as at 31 December 2022 whilst a drop in EPS as at 30 June 2023.*

#### **Company's response to Query 4:**

The net tangible assets of the Target were approximately S\$15.121 million and S\$14.410 million as at 31 December 2022 and 30 June 2023 respectively. The Target had profits after tax of approximately S\$1.104 million for the unaudited financial period from 1 January 2022 to 31 December 2022 and losses after tax of approximately S\$0.714 million for the unaudited financial period from 1 January 2023 to 30 June 2023.

The increase in EPS as at 31 December 2022 was due to the net profit recorded by the Target from 1 January 2022 to 31 December 2022 which was higher than the transaction costs of the Proposed Acquisition. On the other hand, the decrease in EPS as at 30 June 2023 was due to the net losses recorded by the Target from 1 January 2023 to 30 June 2023 and transaction costs incurred in connection with the Proposed Acquisition.

**Query 5:**

*Please disclose whether the shareholders, directors and key management of Ardille Pte Ltd (the “**Seller**”) and its Shareholders – Budleigh Engineering Pte Ltd (“**Budleigh**”) and Chip Eng Seng Corporation Ltd. have any relationships to the Group/Company’s directors, controlling shareholders and key management.*

**Company’s response to Query 5:**

None of the shareholders, directors and key management of the Seller, Budleigh and Chip Eng Seng Corporation Ltd. have any relationships with the Group/the Company’s directors, controlling shareholders and key management. For the avoidance of doubt, Sunshine holds approximately 8.84% of the issued and paid-up share capital of the Company and is a substantial shareholder of the Company. Save as disclosed in the Company’s response below and the Company’s announcement dated 5 December 2023, Sunshine and its affiliates have no relationship with any of the shareholders, directors and key management of the Seller, Budleigh and Chip Eng Seng Corporation Ltd.

**Query 6:**

*In the Company’s announcement on 5 December 2023, it was disclosed that the direct substantial shareholder of the Company, Sunshine Ventures Pte. Ltd. (“**Sunshine**”), has on 1 December 2023, notified the Company that certain of its affiliates have business relationships with the Target, the Seller and Budleigh Engineering Pte Ltd (“**Budleigh**”) (as the case may be). Sunshine holds 8.84% of the Company’s issued shares. Please elaborate on the following:*

- a. It was disclosed that “Sunshine is 100% beneficially owned by CLSF LLP (“**CLSF**”), the partners of which comprise certain current partners and retired partners of RSM Chio Lim LLP (“**RSM Chio Lim**”). RSM Chio Lim is the statutory auditor of the Target, the Seller and Budleigh. Please disclose whether any of the past and current partners of RSM Chio were involved in the audit of Target, the Seller and Budleigh.*
- b. Whether the Company will continue to engage RSM for the audit of the Target or the group after its acquisition, for corporate secretarial services or for tax purposes. If so, please justify robustly and provide basis for the AC’s views.*
- c. Please disclose the nature of any other business relationships of Sunshine and its associates with the Target, the Seller and Budleigh Engineering.*

**Company’s response to Query 6:**

- a. The Company understands that one of the partners of CLSF, who is also a partner of RSM Chio Lim, was the audit partner of the Target, the Seller and Budleigh. The latest completed audits of the Target, the Seller and Budleigh were in respect of the financial year ended 30 September 2022. However, Shareholders should note that discussions regarding the Proposed Acquisition and the Company’s assessment and evaluation of the Target had been conducted independently from, and without the influence of, Sunshine and its affiliates (including CLSF and RSM Chio Lim). Notably, the Board had engaged an independent third party, Baker Tilly Consultancy (Singapore) Pte Ltd, to conduct financial and tax due diligence on the Target prior to the signing of the SPA. As a result, none of the partners of CLSF or RSM Chio Lim had prior knowledge or involvement in the Proposed Acquisition, and they were only informed of the Proposed Acquisition upon the Company’s release of its announcement on the Proposed Acquisition on 30 November 2023. Following the announcement on 30 November 2023, as a matter of prudence and to avoid any conflict of interest (perceived or otherwise), RSM Chio Lim, CorpServe and RSM Tax had each taken immediate steps to resign and cease all services to the Target, the Seller and Budleigh as at 1 December 2023 and AccountServe resigned and ceased all services to Budleigh as at 4 December 2023.

- b. Following completion of the Proposed Acquisition, the Company will engage Ernst & Young LLP (the existing auditors of the Group) as the auditors for the Target, in compliance with Rule 715(1) of the Listing Manual.

As CorpServe and RSM Tax currently serve as the corporate secretarial agent and the tax agent (respectively) of the Singapore-incorporated entity of the Group, the Company will re-engage CorpServe as the corporate secretarial agent, and RSM Tax as the tax agent, of the Target post-completion of the Proposed Acquisition. Taking into consideration the responses in (a) above, the audit committee of the Board is of the view that the re-engagement of CorpServe and RSM Tax for corporate secretarial and tax services for the Target is justified as (i) leveraging the existing relationship that the Group has with CorpServe and RSM Tax promotes operational efficiency. CorpServe and RSM Tax have been service providers for the Group since 2012 and 2014 respectively, and are familiar with the Group's structure, operations and compliance requirements. This familiarity can lead to a smoother integration of the Target into the Group; (ii) the audit committee is of the view that CorpServe and RSM Tax have each demonstrated their competence and reliability in handling the corporate secretarial and tax matters of the Group (as the case may be). Continuity would minimise the risk of disruptions and errors that may arise from a switch of such service providers for the Target; (iii) it helps with consolidated reporting at the Company level; and (iv) the corporate secretarial and tax services provided by CorpServe and RSM Tax (respectively) are compliance-centric, operational and administrative in nature.

- c. Save as disclosed in this announcement and the Company's announcement dated 5 December 2023, there are no other business relationships between Sunshine and its associates with the Target, the Seller and Budleigh.

**Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.**

**BY ORDER OF THE BOARD**

**LEE TIAM NAM**

Executive Deputy Chairman

11 December 2023