

## GLOBAL TESTING CORPORATION LIMITED

(Incorporated in Singapore)  
(Registration No. 200409582R)

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### CLARIFICATION ON UNAUDITED FINANCIAL STATEMENTS FOR THE FULL FINANCIAL YEAR ENDED 31 DECEMBER 2021

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The Board of Directors (the “**Board**”) of Global Testing Corporation Limited (the “**Company**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 14 March 2022 in relation to the Company’s unaudited financial results for the full financial year ended 31 December 2021 (“**FY2021 Financial Statements**”), and wishes to clarify the following:

#### SGX-ST’s queries

- (i) It was disclosed in the unaudited FY2021 Financial Statements that the Group reported an increase in revenue from US\$22,893,000 for the 12 months ended 31 December 2020, to US\$38,729,000 for the 12 months ended 31 December 2021.

We note that the Group reported an increase in the “Trade receivables” financial statement line item under its current assets from US\$4,840,000 as at 31 December 2020 to US\$9,542,000 as at 31 December 2021, which represents approximately 24.6% of its revenue as at 31 December 2021.

At pg 13, it was provided that “*Trade receivable increased by 97.1% to US\$9.5 million as at 31 December 2021, compared to US\$4.8 million as at 31 December 2020, reflecting the higher sales in the last quarter of 2021 compared to the last quarter of 2020.*”

We further note that the Group reported an increase in its “Other receivables and prepayments” financial statement line item from US\$420,000 as at 31 December 2020 to US\$760,000 as at 31 December 2021. It also reported a decrease in its “Other receivables and prepayments” financial statement line item under its non-current assets from US\$490,000 as at 31 December 2020 to S\$471,000 as at 31 December 2021.

In this regard, please disclose:

- (a) The nature and breakdown of the Group’s trade receivables, other receivables and prepayments in its current and non-current assets;

#### Company’s response to query (i)(a)

The nature and breakdown of the Group’s trade receivables, other receivables and prepayments in its current and non-current assets are as follows:

- 1) Trade receivables are mainly from integrated circuit testing services rendered to third parties.
- 2) Current prepayments of US\$726,000 mainly pertains to prepayments made for consumptive materials of US\$310,000, prepayment for testing tools and other related expenses of US\$292,000, prepayment for software and equipment maintenance of US\$97,000 and prepayment for insurance of US\$27,000. Other current receivables of US\$34,000 pertains to a refundable deposit.
- 3) Non-current other receivables consist of refundable security deposits of US\$63,000 and net retirement benefits asset of US\$408,000 in relation to a pension scheme, which is a defined benefit plan set up by the subsidiary, Global Testing Corporation (“**GTC**”).

- (b) The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts;

Company's response to query (i)(b)

The transactions are mainly arising from the integrated circuit testing services rendered to third parties on an on-demand basis when service orders are received from the customers. The standard payment terms are 30 to 90 days from invoice date, which are billed after the services are completed.

- (c) Aging of the Group's trade and other receivables;

Company's response to query (i)(c)

The aging of the Group's trade and other receivables are as follows:

- 1) 87.3% of trade receivables are not past due as of year-end, and the remaining are past due for less than 90 days; and
- 2) Other receivables of US\$34,000 is refundable on demand.

- (d) The Group's plans to recover these trade other receivables; and

Company's response to query (i)(d)

The Group assesses the credit risk of its customers and only accepts reputable customers after having conducted due diligence on their financial standings. Regular reviews of the collection status of the Group's trade receivables are conducted and management will further follow up with the customers and take legal actions when required.

- (e) The Board's assessment on the recoverability of these trade and other receivables.

Company's response to query (i)(e)

The recoverability of trade receivables will be reviewed by the Audit Committee and/or Board at the quarterly meetings. The credit risks of counterparties are determined according to their degree of risk of default. Publicly available financial information and the Group's own records are used to rate its customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Board has considered the profile of the Group's customers and counterparties and is satisfied that credit risk is low and the allowance made is sufficient based on conditions as at year end.

- (ii) In respect of the prepayments under its current and non-current assets, please disclose:

- (a) When these prepayments were made, the terms of the prepayments, the product and/or service being supplied to the Group and the rationale for these prepayments;

Company's response to query (ii)(a)

Prepayments for consumptive materials, testing tools and other related expenses are made based on the Group's consumption forecast. The prepayments for software and equipment maintenance services are related to the Group's normal course of business and are recurring and normally renewed on an annual basis.

- (b) The identity of the recipient(s) of the prepayments, and whether they are related parties of the Group; and

[Company's response to query \(ii\)\(b\)](#)

The recipients of the prepayments are the Group's trade suppliers. None of the recipient(s) of the prepayments are related parties of the Group.

- (c) Whether the Group has made any impairment of these prepayments. If yes, please provide the basis for the impairment and address whether the Group is still making purchases from them.

[Company's response to query \(ii\)\(c\)](#)

No impairment has been made for these prepayments.

- (iii) The Group reported "Deferred tax assets" of US\$2,031,000 under its non-current assets as at 31 December 2021 (FY2020: Nil).

At pg 8, it was provided that: *"Deferred tax benefits relates to the recognition of deferred tax assets from previous unrecognised unutilised tax losses and capital allowances in view of the expectation of sufficient taxable profits for the foreseeable future."*

Please elaborate on what these "Deferred tax assets" specifically relate to, and the methodologies used to determine the amount of US\$2,031,000 as at 31 December 2021.

[Company's response to query \(iii\)](#)

GTC Taiwan has unutilised tax losses carry-forward. Under current tax regulations in Taiwan, the unutilised tax losses carry-forward can be used to offset against future taxable profits so long as they are used within ten years from the date when the tax losses arise. Deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available to utilise these tax losses carry forward.

Management exercised judgement in assessing the probability of future taxable profits, taking into consideration the current year's revenue growth and profitability, indications of forecasted demand from key customers and observable industry and market conditions as at year-end.

By Order of the Board

Chen, Tie-Min  
Senior Executive Director  
17 March 2022