

GLOBAL TESTING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200409582R)

**(I) THE PROPOSED DIVIDEND; AND
(II) THE PROPOSED CAPITAL REDUCTION AND CASH DISTRIBUTION.**

1. INTRODUCTION

The Board of Directors of Global Testing Corporation Limited (the “**Company**”, and together with its subsidiaries the “**Group**”) wishes to announce that:

- (a) subject to Shareholders’ approval being obtained at the forthcoming annual general meeting of the Company for the financial year ended 31 December 2017 (the “**AGM**”), the Company proposes to declare a final tax exempt (one-tier) ordinary dividend of S\$0.09 per ordinary share of the Company (“**Share**”) for the financial year ended 31 December 2017 (the “**Dividend**”); and
- (b) the Company intends to undertake a capital reduction exercise (the “**Capital Reduction**”) to return to Shareholders surplus capital of the Company in excess of its needs by way of a cash distribution (the “**Cash Distribution**”) by the Company to Shareholders of S\$0.11 for each Share held by the Shareholders.

The books of the Company will be closed at a books closure date (the “**Dividend Books Closure Date**”) as determined by the Board to determine the entitlement of the Shareholders to the payment of the proposed Dividend. The Dividend Books Closure Date has been separately announced today in the Company’s full year financial results announcement. The books closure date of the Company will be closed at a books closure date (the “**Cash Distribution Books Closure Date**”) to be determined by the Board to determine the entitlement of the Shareholders to the payment of the proposed Cash Distribution.

It is intended for the resolutions relating to (i) the Dividend and (ii) the Capital Reduction and Cash Distribution to be tabled at the AGM.

2. THE PROPOSED DECLARATION OF A FINAL TAX EXEMPT (ONE-TIER) ORDINARY DIVIDEND OF S\$0.09 PER ORDINARY SHARE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (“FY2017”)

The Directors propose to seek approval from the Shareholders for declaring a final tax exempt (one-tier) ordinary dividend of approximately S\$3,168,326.43 (equal to S\$0.09 per Share (excluding treasury shares) to Shareholders), based on the issued and paid-up share capital of the Company comprising 35,203,627 Shares (excluding treasury shares) as at the date of this announcement. As at the date of this announcement, the Company holds 154,400 treasury shares.

Accordingly, an ordinary resolution will be proposed at the AGM as an ordinary business to consider and, if thought fit, to approve the proposed declaration of the Dividend for FY2017.

The Shareholders' entitlements to the Dividend will be based on the issued and paid-up share capital of the Company as at the Dividend Books Closure Date.

3. CAPITAL REDUCTION AND CASH DISTRIBUTION

3.1 Details of the Capital Reduction and Cash Distribution

The Company proposes to undertake the Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act, Chapter 50 of Singapore.

In connection with the Capital Reduction, the Company intends to make a Cash Distribution to Shareholders of S\$0.11 for each Share held as at the Cash Distribution Books Closure Date.

The Capital Reduction and Cash Distribution will be effected in the following manner:

- (a) reducing the issued and paid-up share capital of the Company by S\$3,872,398.97 from S\$46,484,237.16 (as at the date of this announcement) to S\$42,611,838.19; and
- (b) the Cash Distribution of the sum of approximately S\$3,872,398.97 (equal to S\$0.11 per Share (excluding treasury shares) to Shareholders), based on the issued and paid-up share capital of the Company of S\$46,484,237.16 comprising 35,203,627 Shares (which excludes treasury shares) as at the date of this announcement, will be paid out to the Shareholders.

The Cash Distribution amount of S\$3,872,398.97 comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

3.2 Rationale of the Capital Reduction and Cash Distribution

The Directors are of the view that the Capital Reduction is in the best interests of the Company as the Cash Distribution comprises the issued and paid-up capital in excess of the immediate requirements of the Company. The Capital Reduction and Cash Distribution, if effected, would result in the Company having a more efficient capital structure, thereby also improving Shareholders' return on equity. In determining the level of capital to be returned to the Shareholders, the Company has ensured that it retains sufficient capital for its business and operational needs.

3.3 Financial Effects

For illustrative purposes only and based on the latest audited consolidated financial statements of the Company for FY2017, the pro forma financial effects of the Capital Reduction and Cash Distribution on the Company are set out below.

The pro forma financial effects are calculated based on the assumptions that:

- (i) the Capital Reduction and Cash Distribution were completed on 31 December 2017;

- (ii) the cash required for distribution will be generated through liquid cash resources on hand; and
- (iii) the estimated transaction costs of approximately S\$55,000 have been taken into account in the computation of the financial effects.

(a) Share Capital

The Capital Reduction and Cash Distribution will not have any impact on the number of Shares held by Shareholders after the Capital Reduction and Cash Distribution. The pro forma financial effects of the Capital Reduction and Cash Distribution on the share capital of the Company for FY2017 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Number of issued Shares	35,358,027	35,358,027
Number of issued Shares (excluding treasury shares)	35,203,627	35,203,627
Amount of share capital (S\$)	46,484,237.16	42,611,838.19

(b) Earnings per Share (“EPS”)

The Capital Reduction and Cash Distribution will have no impact on the EPS of the Company.

(c) Net Asset Value (“NAV”)

The pro forma financial effects of the Capital Reduction and Cash Distribution on the NAV of the Company for FY2017 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Net asset (US\$'000)	46,102	43,123
Number of issued Shares (excluding treasury shares)	35,203,627	35,203,627
NAV per Share (US dollars)	1.31	1.22

(d) Gearing

The pro forma financial effects of the Capital Reduction and Cash Distribution on the gearing ratio of the Company for FY2017 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Total borrowings (US\$'000)	0	0
Net assets (US\$'000)	46,102	43,123
Gearing (%)	0	0

(e) Return on Equity

The pro forma financial effects of the Capital Reduction and Cash Distribution on the return on equity of the Company for FY2017 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Profit attributable to Shareholders (US\$'000)	-688	-688
Return on Equity (%)	-1.49	-1.60

3.4 Approvals and Conditions

The Capital Reduction and Cash Distribution is subject to, *inter alia*, the following:

- (a) the approval of the Shareholders by way of a special resolution at the AGM;
- (b) the Board making a solvency statement in relation to the reduction of the share capital of the Company and compliance with other relevant solvency requirements as required by the Companies Act ("**Solvency Statements**");
- (c) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;
- (d) lodgment with Accounting and Corporate Regulatory Authority ("**ACRA**") copies of the Solvency Statements and the Capital Reduction resolution, within fifteen (15) days beginning with the date of the Capital Reduction resolution;

- (e) no application being made for the cancellation of the Capital Reduction resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities; and
- (f) lodgment of the relevant documents with ACRA after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction resolution.

4. LETTER TO SHAREHOLDERS

A Letter to Shareholders containing further details of the Capital Reduction and Cash Distribution, shall be despatched to the Shareholders in due course together with the annual report of the Company for FY2017 and the notice of the AGM.

5. INTERESTS OF THE DIRECTORS OR CONTROLLING SHAREHOLDERS OF THE COMPANY

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Capital Reduction and Cash Distribution (other than through their shareholdings, if any, in the Company).

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement, and confirm, after making all reasonable enquiries and to the best of their knowledge and belief, that the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make any statement in this announcement misleading.

By Order of the Board

CHEN TIE-MIN
Senior Executive Director

27 February 2018