

GLOBAL TESTING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200409582R)

(I) THE PROPOSED SHARE CONSOLIDATION; 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 the Company intends to undertake the following exercises:

- (a) the proposed consolidation (the “**Share Consolidation**”) of every twenty (20) shares of the Company into one (1) consolidated share (“**Consolidated Share**”); and
- (b) a capital reduction exercise (the “**Capital Reduction**”) to (i) write off accumulated losses (“**Accumulated Losses**”), and (ii) 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\$0.075 for each share held by the Shareholders.

The books of the Company will be closed at a books closure date (the “**Books Closure Date**”) to be determined by the Board to determine the entitlements of the Shareholders to (i) the Consolidated Shares pursuant to the Share Consolidation, and (ii) to payment of the proposed Cash Distribution.

It is intended for the resolutions relating to (i) the Share Consolidation and (ii) the Capital Reduction and Cash Distribution to be tabled at the forthcoming annual general meeting of the Company for the financial year ended 31 December 2014 (the “**AGM**”).

2. SHARE CONSOLIDATION

2.1 Details of the Share Consolidation

The Company proposes to undertake the Share Consolidation for the consolidation of every twenty (20) existing shares registered in the name of each Shareholder as at the Books Closure Date to one (1) consolidated share, fractional entitlements to be disregarded.

Each Consolidated Share will rank pari passu in all respects with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which they are entitled to, based on their holdings of Shares as at the Books Closure Date will be rounded down to the nearest whole Consolidated Share and any fractions of a share arising from the Share Consolidation shall be disregarded. Fractions of a Consolidated Share arising from the Share Consolidation will be aggregated and dealt with in such manner as the

Directors may, in their absolute discretion, deem fit in the interests of the Company.

As at the date of this announcement, the Company has an issued share capital of S\$113,244,049 divided into 719,442,001 Shares (including 12,281,000 treasury shares). Following the completion of the Share Consolidation, the Company will have an issued share capital of S\$113,244,049 divided into 35,972,100 Consolidated Shares.

The Share Consolidation will have no impact on the issued share capital of the Company. The Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the equity attributable to the Shareholders of the Company. Shareholders are not required to make any payment to the Company in respect of the Share Consolidation.

2.2 Rationale for the Share Consolidation

The Board believes that the Share Consolidation will generally be beneficial to the Company and its Shareholders as it would help to rationalise the share capital of the Company by reducing the number of shares outstanding, and the trading price per Consolidated Share should theoretically be proportionally higher than the trading price per share prior to the Share Consolidation. This will reduce the fluctuation in magnitude of the Company's share price and market capitalisation and reduce the percentage transaction cost for trading in each board lot of shares.

Further, the Monetary Authority of Singapore and the SGX-ST will be introducing a minimum trading price of S\$0.20 as a continuing listing requirement for Mainboard-listed issuers. This is expected to be implemented in March 2015 with a one-time transition period of 12 months, after which affected issuers will be provided a cure period of 36 months to take remedial actions. Affected issuers which fail to take remedial actions during the cure period may be delisted from the Mainboard of the SGX-ST. The Share Consolidation would facilitate the Company's ability to satisfy the prospective continuing listing requirement to be imposed by SGX-ST for Mainboard-listed issuers to have a minimum trading price per share of S\$0.20.

2.3 Financial Effects

For purely illustrative purposes only, the pro forma financial effects of the Share Consolidation are set out below. The illustrations below are based on the last audited financial statements of the Company for the financial year ended 31 December 2013 ("FY2013") and on the assumption that:

- (i) the Capital Reduction and Cash Distribution as set out in Paragraph 3 below did not take place; and
- (ii) the number of Shares for the financial effects of the Share Consolidation relating to the EPS and NAV are based on 723,557,001 Shares (excluding treasury shares) as at 31 December 2013.

(a) Share Capital

The pro forma financial effects of the Share Consolidation on the share capital of the Company for FY2013 are as follows:

	Before the Share Consolidation	After the Share Consolidation
Number of issued Shares	757,411,001	37,870,550
Amount of share capital (S\$)	118,707,441	118,707,441

(b) EPS

The pro forma financial effects of the Share Consolidation on the EPS of the Company for FY2013 are as follows:

	Before the Share Consolidation	After the Share Consolidation
Profit after taxation and minority interests (US\$'000)	-835	-835
Number of paid-up Shares	723,557,001	36,177,850
Weighted average number of Shares during the financial year	745,959,381	37,297,969
EPS (US cents)	0.10	2.00

(c) NAV

The pro forma financial effects of the Share Consolidation on the NAV of the Company for FY2013 are as follows:

	Before the Share Consolidation	After the Share Consolidation
Net asset	88,617	88,617
Number of issued Shares	723,557,001	36,177,850
NAV per Share (US cents)	12.25	245.0

(d) Gearing

The Share Consolidation will have no material impact on the gearing of the Group.

2.4 Approvals and Conditions

The Share Consolidation is subject to, *inter alia*, the following:

- (a) the approval of the SGX-ST for the Share Consolidation and the dealing in, listing of and quotation for the Consolidated Shares on the SGX-ST; and
- (b) the approval of the Shareholders by ordinary resolution at the AGM.

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Consolidated Shares arising from the Share Consolidation. An appropriate announcement on the outcome of the application will be made in due course.

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\$0.075 for each share held as at the 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\$92,211,915 from S\$113,244,049 (as at the date of this announcement) to S\$21,032,134;
- (b) an amount equal to S\$39,174,840 being part of the credit arising from the cancellation of the issued and paid-up share capital of the Company will be applied to write-off the Accumulated Losses; and
- (c) the Cash Distribution of the sum of approximately S\$53,037,075 (equal to S\$0.075 per Share (excluding treasury shares) to Shareholders), based on the issued and paid-up share capital of the Company of S\$113,244,049 comprising 707,161,001 Shares (which excludes 12,281,000 treasury shares) as at the date of this announcement, will be paid out to the Shareholders.

The amount of S\$39,174,840 to be applied to write-off the Accumulated Losses comprises the issued and paid-up share capital of the Company which has been lost or is unrepresented by available assets while the Cash Distribution amount of S\$53,037,075 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 would serve to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets, and thus the financial position of the Company. In addition, the Capital Reduction will facilitate any future equity-related fundraising to recapitalise and strengthen the balance sheet of the Company.

The Company would also be in a better position to retain profits and enhance its ability to pay dividends in the future if the Accumulated Losses are written off, enhancing Shareholders' return on equity. If the Capital Reduction is not carried out, the Company may not be able to declare any dividends to its Shareholders until the Accumulated Losses are fully eliminated by future years' profits. Hence, the Directors believe that it is in the best interests of the Company and its Shareholders to undertake the Capital Reduction to eliminate the Accumulated Losses to facilitate future declaration of dividends, if appropriate.

In addition, the Cash Distribution comprises the 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 purely illustrative purposes only, the pro forma financial effects of the Capital Reduction and Cash Distribution are set out below. The illustrations below are based on the last audited financial statements of the Company for FY2013 and on the assumption that the Share Consolidation as set out in paragraph 2 above did not take place.

(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 FY2013 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Number of issued Shares	757,411,001	757,411,001
Number of issued Shares (excluding treasury shares)	723,557,001	723,557,001
Amount of share capital (S\$)	118,707,441	26,030,826

(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 FY2013 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Net asset (US\$'000)	88,617	35,115
Number of issued Shares	723,557,001	723,557,001
NAV per Share (US cents)	12.25	4.85

(d) Gearing

The pro forma financial effects of the Capital Reduction and Cash Distribution on the gearing ratio of the Company for FY2013 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Total borrowings (US\$'000)	0	0
Net assets (US\$'000)	88,617	35,115
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 FY2013 are as follows:

	Before the Capital Reduction	After the Capital Reduction
Profit attributable to Shareholders (US\$'000)	-835	-835
Return on Equity (%)	-0.9	-2.4

3.3 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 prescribed by the Companies Act ("**Solvency Statements**");
- (c) notification to the Comptroller of Income Tax of the following within eight (8) days beginning with the date on which the Capital Reduction resolution was passed ("**Resolution Date**");
 - (i) the passing of the Capital Reduction resolution;
 - (ii) the text of the Capital Reduction resolution; and
 - (iii) the date on which the Capital Reduction resolution was passed;
- (d) the Company complying with the relevant publicity requirements as prescribed in the Companies Act;
- (e) 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 Resolution Date;
- (f) 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
- (g) 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 Resolution Date.

4. LETTER TO SHAREHOLDERS

A Letter to Shareholders containing further details of the Share Consolidation and the Capital Reduction and Cash Distribution shall be despatched to the Shareholders in due course together with the annual report of the Company for the financial year ended 31 December 2014.

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 (i) the Share Consolidation and (ii) 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

HENG-CHUN HO
Chief Executive Officer and Executive Director

26 February 2015