



Securities Investors Association (Singapore)

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Issuer: Global Testing Corporation Limited

Security: Global Testing Corporation Limited

Meeting details:

Date: 30 April 2019

Time: 9.00 a.m.

Venue: Grand Copthorne Waterfront Hotel, Oriole Room, Level 4, 392 Havelock Road
Singapore 169663

Company Description

Global Testing Corporation Limited is a Taiwan-based investment holding company. The Company is engaged in the provision of testing services to customers in the semi-conductor industry segment. The Company provides testing services, such as wafer sorting and final testing, focusing on logic and mixed signal semiconductors used in consumer electronics and communication devices. As part of its testing services, it provides test program development, conversion and optimization services, load board and probe card design, and leases its testers to its customers for trial and pilot testing purposes on an ad hoc basis. It also helps its customers to convert single-site testing to multi-site testing to shorten their turn-around time. It provides various fixture designs for final test service, which include socket, lock, hange kit and load board components. It operates mainly in Taiwan, Republic of China. Its customers are located in Taiwan, Republic of China, the United States and Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AYN)

Q1. As disclosed in the letter to shareholders, the group's revenue declined 18.9% due to weaker customers' orders and, having invested in machines, cost of sales went up by 8.2% despite the drop in revenue.

The group ended the year with US\$5.0 million in losses although it was also disclosed that the group expects to see orders coming in for security image sensors as well as high and low temperature processes for the automobile industry.

- (i) Revenue:** As seen in Note 29 (page 75 – Operating segment information), revenue from Singapore dropped by more than a third while revenue from the PRC dropped by 70%. **Would the company help shareholders understand the reasons why revenue from Singapore and the PRC were so badly affected? Do they relate to any particular sector?**
- (ii) Customer retention:** In FY2018, the group recognised no revenue from the customer who was the third largest in FY2017 (of US\$3.83 million). **What is the reason for this? In general, what is the customer retention rate for the group?**
- (iii) Revenue breakdown:** **Can management also provide shareholders with a revenue breakdown according to industry/technology?**
- (iv) Value proposition:** **How does the group acquire new customers? What is the customer value proposition?**

Q2. In 1 June 2017, Mr Hu I-Lung was appointed the acting chief executive officer following the resignation of Mr Ho Heng-Chun on 1 June 2017. As acting chief executive officer, Mr Hu worked with the board to determine the strategy for the group and he has been responsible for the management of all the operational matters of the Group.

- (i) Can the company clarify if it is still in the process of looking for a CEO for the group? If so, how is the search for the CEO being carried out?**
- (ii) What qualities is the board looking for in any potential CEO replacement?**
- (iii) Would the board help shareholders understand the group's leadership bench strength (e.g. technical, operation, business development, sales etc)? Has the group been able to hire, train and retain the talent it needs?**

Q3. The board comprises of four members, of which two are independent, namely Mr Kenneth Tai, Chung-Hou and Mr Geoffrey Yeoh Seng Huat.

Mr Kenneth Tai, Chung-Hou was appointed on 30 August 2004 while Mr Geoffrey Yeoh Seng Huat was appointed on 30 April 2007. As such, Mr Tai and Mr Yeoh have served over 14 years and nearly 12 years respectively.

Due to his 7.17% interest in the company, Mr Chia Soon Loi has been re-designated to non-executive non-independent director, effective 27 February 2019.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

At the company’s annual general meeting scheduled to be held on 30 April 2019, both directors are retiring pursuant to Article 115 of the Company’s Constitution and are seeking their re-election.

(i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?

The nominating committee (NC) has stated that in its search and nomination process for new directors, it has “*at its disposal, search companies, personal contacts and recommendations to cast its net as wide as possible for the right candidates*” (page 17).

(ii) Would the nominating committee (NC) be using a professional search firm to search for independent directors so as to enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?

(iii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

- (iv) Given that both the independent directors were have served on the board for over 9 years, what are the company's other near term plans to refresh the membership of the board progressively to comply with the new 2018 Code in good time? Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Global%20Testing%20Corporation%20Ltd&cid=6385,4639>

The company's response could be found here: -----