

**GRAND VENTURE TECHNOLOGY LIMITED**

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

**ANNOUNCEMENT**

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**RESPONSES TO SUBSTANTIAL QUERIES RECEIVED FOR ANNUAL GENERAL MEETING ON  
27 APRIL 2023 (“AGM”)**

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**1. INTRODUCTION**

The Board of Directors (“**Board**” or the “**Directors**”) of Grand Venture Technology Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to provide an update on the substantial queries received before the AGM and together with our responses.

**2. QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) ON THE COMPANY’S ANNUAL REPORT**

(1) *The Group’s year ended 31 December 2022 (“FY2022”) milestones can be seen on pages 4 and 5 of the Annual Report.*

**Key Milestones  
in FY2022**

■ Corporate Activities   ■ Organic Growth   ■ Inorganic Expansion

**Capacity expansion  
in Penang; plans  
for integrated  
manufacturing hub**

Acquired third manufacturing  
facility in two years  
To be amalgamated with GVT  
MY’s facilities to create an  
integrated manufacturing hub



**JANUARY**

**Commenced  
provision of front-end  
semiconductor services**

Commenced first-article  
qualification with new front-  
end semiconductor customer



**MARCH**

*(Source: The Company’s Annual Report 2022)*

*The Group commenced provision of front-end semiconductor services in 2022. The Chairman, in his statement, stated that the Group will be working closely with the new front-end semiconductor customers for first-article qualifications prior to production ramp-up, as well as pursuing prospective customers in this segment.*

*The CEO refers to the front-end semiconductor services as “higher-value” offerings as it taps on the Group’s ability to meet the sub-micron, ultra-precision requirements demanded by front-end semiconductor customers.*

- i. What are the specific front-end semiconductor services that the Group started to provide in FY2022?

**Response:**

The Group has begun First Article Inspections (FAI), prototyping and qualifications of its services, including precision machining of parts for the front-end semiconductor equipment.

- ii. How is the Group able to acquire new customers in this segment as the Group may not have a demonstrable track record in the provision of front-end services at the moment?

**Response:**

The Group takes pride in its sub-micron ultra-precision machining capabilities and is one of only a few companies in this region with such capabilities. These have allowed us to serve our life sciences customers for the production of mass spectrometers and its bolt-on instruments. Our ability to deliver on such stringent requirements from our life sciences customers then enabled us to extend our value proposition to the front-end semiconductor market.

Our proven track record of serving life sciences and back-end semiconductor customers and validated competencies thus enabled us to acquire new customers in the front-end semiconductor segment.

- iii. Can management outline the major risk factors associated with the provision of front-end semiconductor services? What are the strategies employed to manage these risks?

**Response:**

The major risk factors include the intensive initial outlay of capital expenditure and the cyclical nature of the market.

The Management mitigates these risks by (i) timing its investments with project developments and assessed market momentum, (ii) diversification of the Group’s revenues and cashflows across multiple business segments, namely front-end semiconductor, back-end semiconductor, life sciences, medical, electronics and aerospace, (iii) cross-site capacity support and (iv) developing competencies across the Group’s market verticals.

*iv. The Group has also begun onboarding new back-end semiconductor customers who are increasing their supply chain diversification efforts by sourcing or producing in Southeast Asia.*

Can management help shareholders better understand the relative sizes of the opportunities in the front-end segment versus the back-end segment?

**Response:**

According to SEMI, the industry association representing the global electronics manufacturing and design companies, the front-end semiconductor equipment market, which includes the wafer fabrication, wafer processing, and mask/reticle equipment, was estimated to be worth US\$94.8 billion<sup>1</sup> in 2022. Comparatively, the back-end semiconductor equipment market comprising testing equipment, assembly and packaging equipment, was estimated to be worth US\$13.7 billion<sup>2</sup>.

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<sup>1</sup> <https://semi.org/en/news-media-press/semi-press-releases/global-total-semiconductor-equipment-sales-2022> (13 Dec 2022)

<sup>2</sup> <https://semi.org/en/news-media-press/semi-press-releases/global-total-semiconductor-equipment-sales-2022> (13 Dec 2022)

(2) A key development in FY2022 was the acquisitions of particularly for J-Dragon Tech (Suzhou) Co., Ltd (“**J-Dragon**”) and Formach Asia Sdn. Bhd. (“**Formach**”) in March 2022.

J-Dragon relocated to a brand new 190,941 square-foot facility in March 2022 where the company has installed new equipment, including a treatment and plating line, to serve customers from the aerospace sector.

A summary of the Group’s manufacturing sites is shown on page 3 and reproduced below:

Country	Location	Entity	Approximate Gross Floor Area (“GFA”)	Activities
Singapore	Changi North	Grand Venture Technology Limited (“GVT” or the “Company”)	86,736 sq ft	Corporate Headquarters Precision Machining, Assembly and Testing
Malaysia	Penang	Grand Venture Technology Sdn. Bhd. (“GVT MY”)	342,900 sq ft	Precision Machining, Sheet Metal Fabrication, Assembly and Testing
	Johor Bahru	Formach Asia Sdn. Bhd. (“Formach”)	73,818 sq ft	Sheet Metal Fabrication, Assembly
China	Suzhou	Grand Venture Technology (Suzhou) Co., Ltd (“GVT SZ”)	120,069 sq ft	Precision Machining, Sheet Metal Fabrication, Assembly
		J-Dragon Tech (Suzhou) Co., Ltd (“J-Dragon”)	190,941 sq ft	Precision Machining, Assembly

(Source: The Company’s Annual Report 2022)

- i. Has the Group been able to recruit the headcount needed to support its expansion, especially in Penang and Suzhou?

**Response:**

The Group has been careful with headcount expansion, especially during current climate of geo-political tensions and market volatility. While the labour market remains tight, we have been able to recruit the headcount needed to support our current pace of development and activities.

The Group is also in the process of rolling out certain automation capabilities at our regional facilities, especially in Penang and Suzhou, to ease the dependency on physical labour for our business expansion.

- ii. Does the Group's workforce have to be retrained or reskilled as it diversifies into life sciences, electronics, medical and aerospace industries?

**Response:**

The Group had anchored its business from the onset in the life sciences, medical and electronics segment, together with our semiconductor exposures.

The Group's competencies are in ultra-precision machining, mechatronics assembly and complex sheet metal fabrication. These competencies can be applied across the segment verticals that the Group serves. Our staff can also easily adapt to the requirements of each segment via internal training processes.

- iii. Is the Group still experiencing any lingering supply chain disruptions? Are all the sites operating without any restrictions?

**Response:**

The supply chain disruptions have largely eased. However, small basket of parts and components, such as those for electronics and printed circuit board (PCB), continue to be short in supply.

All of our sites are currently operating without restrictions.

(3) *As disclosed in the corporate governance report, the internal audit (“IA”) function of the group has been outsourced to Foo Kon Tan Advisory Services Pte Ltd (“FKT”) since the financial year 2018. The audit committee (“AC”) reviews and approves the annual internal audit plan (page 73).*

- i. What criteria does the AC use to determine and approve the scope of the annual internal audit plan?

**Response:**

The Company outsources its internal audit function to FKT. The internal audit was led by a Partner who holds the Certified Internal Auditor qualification from the Institute of Internal Auditors and has over 20 years of internal audit and risk advisory experience. The internal auditors have unfettered access to all the Group’s documents, records, properties and personnel, including access to the AC. The AC has reviewed and confirmed that FKT is a suitable professional service firm to meet the Group’s internal audit obligations, having considered the adequacy of resources and experience of the firm and the assigned engagement Partner, number and experience of supervisory and professional staff assigned to internal audits.

The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group’s activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The internal auditors completed the internal audit assessment during FY2022 in accordance with the internal audit plan approved by the AC. The Board has adopted the recommendations of the internal auditors set out in the risk assessment report. The AC is satisfied that the internal audit function is independent, effective and adequately resourced (being outsourced to a reputable professional service firm).

During FY2022, the AC met with internal and external auditors without the presence of Management. The AC meets them at least once a year.

- ii. What were the scope, key findings and recommendations by the internal auditor for FY2022, particularly for J-Dragon and Formach which were acquired during the year?

**Response:**

The IA scope for FY2022 included Grand Venture Technology Sdn. Bhd., covering (i) revenue and collections, (ii) procurement and payment, (iii) human resource and payroll management. Save for operational improvements and recommendations, there was no high risk finding.

We undertook due diligence on J-Dragon and Formach in late 2021, prior to the completion of our acquisition of these two companies on 2 March 2022. Since then, our Group members across our sites are directly involved in post-merger integration, largely around systems and processes, for Formach and J-Dragon via a combination of direct visits and virtual meetings.

Subsequent to these alignment and post-merger integration efforts during FY2022, J-Dragon is scheduled for an internal audit for financial year-ending 31 December 2023 (“FY2023”).

- iii. Considering the travel restrictions in place in 2022, particularly in China, how were internal audits conducted for the foreign subsidiaries?

**Response:**

The internal audit in 2022 took place remotely from Singapore via video conferencing interviews and review of electronic records of documents. This was supplemented by Management’s direct operational visits to the Group entities despite cross-border restrictions, i.e. with our team in Grand Venture Technology (Suzhou) Co., Ltd supporting us with visits to J-Dragon in Suzhou, Singapore members directly visiting our facilities in Penang and Johor.

The internal audit reports were shared with our External Auditor, Ernst & Young LLP, which supplements its physical audit of the respective entities via its local teams.

- iv. What is the level of oversight by the AC on the actions taken by Management to follow up on the recommendations?

**Response:**

The AC meets IA (FKT) independently, without the presence of Management.

The IA findings and recommendations are tabled to the AC and Management is accountable for the follow up actions and progress during the AC meetings.

**BY ORDER OF THE BOARD**

**LEE TIAM NAM**

Executive Deputy Chairman

20 April 2023