



GRAND VENTURE TECHNOLOGY LIMITED

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RESPONSES TO SUBSTANTIAL QUERIES RECEIVED FOR ANNUAL GENERAL MEETING ON 28 APRIL 2020 (“AGM”)

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

Refer below for the list of substantial queries received and corresponding responses by the Company:

(A) Queries received from shareholders

Qn 1 What is the outlook for sales this year to the Semiconductor segment, and the Life Sciences, Electronics, and Others segment?

In view of the COVID-19 pandemic? Do you discern a trend of smaller orders because of lower end user demand, or maybe bigger orders because customers want to build inventory to forestall potential supply chain disruptions?

Response:

We have received feedback from some of our customers that they are facing lower sales volume, however as at this point in time, we have not received instructions of sales orders being pushed back because of this. The level of customer future demand for the year remains unclear at this juncture and the global development is suggesting a downtrend across all industries. We will closely monitor and adapt our strategies as the market develops.

Qn 2 What is the impact of Singapore's Circuit Breaker measures, and Malaysia's Movement Control Orders on the Group's operations?

Response:

Our participation in the Medical, Life Sciences and Semiconductor supply chain makes us an essential services provider, so we are permitted to continue operating in spite of the movement control restrictions in Malaysia and Singapore. However, the operations are at a reduced capacity as we are not permitted to continue production of components for non-essential goods, i.e., those that do not fall into the above 3 categories.

At this juncture, we are still enjoying strong demand for our services, and expect to ramp up on our production activities significantly once the restrictions are lifted.

At the same time, we remain prudent with our cash flow as we put some expansionary plans on hold until the situation is more stable. This has enabled us to conserve some cash to cope with the uncertainties ahead.

Qn 3 Have the hygiene and safe distancing measures adopted operationally constrained Group's production capacity or raised costs?

Response:

It has not materially constrained our operations, however, we have invested in more IT devices such as laptops, PC, video conferencing equipment to cope with Business Continuity Plan ("BCP"). Some of these costs are being subsidised by Government's incentives and these assets could also be deployed into our firm's i4.0 initiatives.

Qn 4 Do we have a shortage of workers on the factory floor in Singapore with the termination of daily commute of Malaysian workers to/from Singapore?

Response:

Our operation has not been materially affected through our Human Resource planning and work allocation during this period. Further, we also have the flexibilities to plan our production through our facilities in Penang and Suzhou which we have not done so since the impact is currently manageable.

Qn 5 I understand the Group has to obtain first article approvals before customers would give it firm sales orders. Could we know how much of the sales in 2018 and 2019 are attributable to products where first article approval was obtained during the same year, and how much of the sales are attributable to products where such approval was obtained in the prior year?

Response:

Our revenue each year is generally driven by First Article Approvals ("FAA") received over the preceding few years. Nevertheless, of the new products we manufactured in FY2019, approximately 20% were from FAAs obtained in FY2018 (approximately 30% from FY2017 to FY2018).

We are currently continuing to work with our customers on first article approvals.

(B) Queries received from Securities Investors Association (Singapore) (“SIAS”)

Qn 1 For the financial year ended 31 December 2019, the group reported a steady revenue of \$40.1 million. While revenue from the semiconductor segment came in weaker by 22.2%, revenue contribution from the Life Sciences, Electronics and Others grew by 57.2% (page 6 of the annual report).

(i) Would management help shareholders understand the products/classes of products it manufactures for the semiconductor industry?

Response:

The Group manufactures the following key products/classes of products for the semiconductor industry:

- Complex Machining parts;
- Sheet metal structure and modular assemblies for Die/Wire Bonder;
- Semiconductor Memory Devices Tester; and
- Complex machine parts for front end wafer production equipment (Chemical Vapour Disposition).

(ii) What is the profile of the group’s major customers in the semiconductor segment?

Response:

These customers are Multi-National Companies (“MNC”) based in US and Europe with operations across US, EU and Asia.

They serve segments including the foundries and chipmakers.

Qn 2 As noted in the “Review of operations” (page 9), the group’s operations in China relocated to a new 59,000 sq-ft facility in Suzhou which is more than triple the land area of the previous facility. The group is also in the midst of acquiring an additional industrial property of land area of approximately 69,950 sq-ft in Penang for its expansion.

In Note 24 (page 79 – Capital commitments), the group has disclosed its capital commitments in respect of property, plant and equipment of \$10.7 million as at 31 December 2019. This is a sharp increase from \$2.8 million as at 31 December 2018.

(i) What was the total capital expenditure to set up the Suzhou facility?

Response:

Suzhou’s capital expenditure in FY2019 included RMB6.9 million (S\$1.4 million) pertaining to the set up and renovation of the Suzhou facility.

(ii) Is the Suzhou site fully operational and utilising the entire larger space? What is the Annual Machine Hours capacity?

Response:

Suzhou site is currently operational and utilising approximately 56% of the new space. Current Annual Machine Hour capacity is estimated to be 204,000 hours.

(iii) In addition, what is the projected capital expenditure for the new site in Penang?

Response:

Projected capital commitment for new site in Penang is S\$7.9 million comprising land, building and machineries.

(iv) How is the group going to fund its expansion plans?

Response:

The Group intends to fund its expansion plans via a combination of internal generated cash flows and bank loans.

Qn 3 For the financial year, profit after tax slipped from \$4.688 million to \$3.097 million in FY2019. The remuneration of directors and key management increased from \$1.279 million to \$1.531 million (page 22). For instance, the variable bonus of the executive chairman, CEO and COO all increased in the financial year.

The company has stated that variable performance incentives are tied to the performance of the group or business unit and the individual's performance (page 21).

(i) Could the remuneration committee help shareholders understand the key performance indicators (financial and non-financial) and how these are measured?

Response:

Key Performance Indicators ("KPI") included financial and non-financial factors as follows:

- Revenue & revenue growth rate
- Gross profit
- Net profit
- Operating income
- Leads generation
- Orders or project fulfillment
- Employee engagement
- Strategy execution
- Governance
- Shareholders engagement

The above KPIs are scored and considered together with (i) respective job scopes and responsibilities and (ii) benchmarked against similar companies for evaluation of the remuneration of directors and key management personnel.

(ii) Would the board, especially the remuneration committee, consider reviewing its practices on the disclosure on remuneration so that the company can better comply with the Code of Corporate Governance 2018?

Response:

In view of confidentiality and market competition, the Remuneration Committee ("RC") is of the view that the level of disclosure is currently sufficient.

By Order of the Board

LEE TIAM NAM
Executive Chairman
Date: 28 April 2020

*This document has been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the SGX-ST Listing Manual Section B: Rules of Catalist. This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The contact person for the Sponsor is Mr Jason Chian, Managing Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.*