

REPL::ANNUAL GENERAL MEETING::VOLUNTARY

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VALUETRONICS HOLDINGS LIMITED

Security

VALUETRONICS HOLDINGS LIMITED - BMG9316Y1084 - BN2

Announcement Details

Announcement Title

Annual General Meeting

Date & Time of Broadcast

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Replacement

Announcement Reference

SG220704MEETB8YY

Submitted By (Co./ Ind. Name)

Tse Chong Hing

Designation

Chairman and Managing Director

Financial Year End

31/03/2022

Event Narrative

| Narrative Type | Narrative Text |
|-----------------|--|
| Additional Text | Please see attached announcement - "Annual General Meeting to be Held on 29 July 2022 - Responses to Substantive and Relevant Questions Received from Shareholders". |

Event Dates

Meeting Date and Time

29/07/2022 10:00:00

Response Deadline Date

26/07/2022 10:00:00

Event Venue(s)

Place

| Venue(s) | Venue details |
|---------------|---|
| Meeting Venue | The AGM will be held by way of electronic means on Friday, 29 July 2022, at 10:00 am. |

Attachments



[VHL-2022 AGM-Response to Questions from Shareholders-20220721.pdf](#)

Total size =118K MB

Related Announcements

Related Announcements

[04/07/2022 07:00:33](#)



VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)
(Company Registration Number: 38813)
(the “**Company**”)

**ANNUAL GENERAL MEETING TO BE HELD ON 29 JULY 2022 – RESPONSES TO
SUBSTANTIVE AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS**

The Board of Directors (the “**Board**”) of Valuetronics Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to its announcement dated 4 July 2022 and Notice of Annual General Meeting (“**AGM**”) dated 4 July 2022.

The Company would like to thank shareholders who submitted their questions in advance of the Company’s AGM which will be held by way of electronic means on 29 July 2022 (Friday) at 10:00 am (Singapore time).

Please refer to **Appendix A** for the Company’s responses to substantive and relevant questions received from shareholders relating to the business of the AGM. Where there are substantially similar questions, the Company has consolidated such questions; consequently, not all questions are individually addressed.

BY ORDER OF THE BOARD
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director
21 July 2022

A Supply Chain Challenges

Question 1:

What's the major causes of global components shortage? Is the situation improving? How will the company handle its supply chain challenges, inflation & resulting margin erosion? The Company mentioned in the page 5 of the Annual Report that the "components shortage also affected order fulfilment for certain ICE customers" - Were these orders cancelled or delayed?

Company's Response:

The global components shortage situation can be attributed to a demand and supply disequilibrium, which was made worse by the onset of the COVID-19 pandemic. The shortage of a wide range of electronics components resulted in extreme price surges, prolonged order lead times, frequent delivery delinquency and consequential productivity losses. Additionally, the ongoing COVID-19 pandemic and resultant lockdowns in major cities further disrupted the capacity and logistics of the electronic component industry, which worsened the situation.

While there is news of investments in capacity, these will take a while to come online. Furthermore, recent ongoing lockdowns in major Chinese cities also continue to impact global supply chains, increasing the backlog of critical components supply and affecting cross border logistics. The ripple effect of these supply chain bottlenecks could last beyond 2022. As the results of components shortage, some customer orders could not be timely fulfilled, and the Group had to work with customers in revisiting their production schedule and adjusting according to their priorities.

As mentioned in page 2 of the Annual Report, the Group proactively implemented various mitigation measures in the face of these external factors. These include identifying alternative parts, re-engineering products to lower cost, and leveraging the Group's supply chain knowledge to identify new sources of supply. The Group has also needed to procure certain components from spot buy dealers on a cash basis or under a shorter credit term as compared to the usual procurement from standard vendors. We would seek customers' authorization to purchase on the spot market with their absorption on part of the increased cost. The Group will continue to make its best efforts to pass other external cost increases back to its customers.

In terms of managing rising labour costs, the Group has mitigated its labour dependency over the years by investing in automation and its manufacturing execution system ("MES") software to raise productivity levels and reduce costs. Please refer to pages 6 – 7 of the Annual Report for more details.

However, despite all these efforts, we expect the global components shortage, together with the cost pressures resulting from inflation, to continue to affect the Company's gross profit margin until the global components market returns to normal. While uncertainty and unpredictability are now part of operating in the 'new normal', the Company remains confident in its ability to navigate its way forward through this challenging time.

B Business Development under Sino-US Trade Tensions

Question 2:

Does management see more North American customers sourcing domestically? What's the Group's plan to acquire new customers? Is the ICE segment more favorable and is the Group shifting its focus to the ICE segment? What are management's key priorities for FY2023?

Company's Response:

Under Sino-US trade tensions and escalating geopolitical risk, the Group saw MNC customers revisit their supply chain and procurement strategy, and showing less willingness to concentrate their supply chain in a single country. That is why the Group also made the strategic decision a few years ago to expand to Southeast Asia. By adopting a multi-country manufacturing footprint strategy, the Group was not only able to meet the needs of existing customers, but was also able to reach out to new customers looking for an EMS partner with multi-country footprint to diversify their supply chain risks.

The Company has also expanded its business development team in the US since a few years ago to acquire new customers and emphasise its China plus Vietnam manufacturing solutions to them. These efforts have led to new customers in the ICE segment that are preparing for trial production. These new customers include a hardware provider customer for retail chain stores, and a customer providing cooling solutions for high performance computing environments, and they are expected to contribute revenue in the financial year ending 31 March 2023 ("FY2023").

While the Group is focusing on acquiring more ICE customers due to historically relative higher profit margin than CE customers, it is not neglecting the CE segment should opportunities arise. For FY2023, apart from a business development focus, the Company will continue its prudent and calibrated approach, by adopting various measures to mitigate the challenging operating environment and continuing to invest in its capabilities and operational excellence initiatives for the longer term.

C Vietnam Expansion

Question 3:

What is the current operating capacity in Vietnam? What's the expected capital expenditure for the Vietnam campus? How do the Company overcome the challenges of operating in new location (such as language, culture, availability of experienced staff, travel restrictions etc)?

Company's Response:

The newly constructed Vietnam campus will double the Group's production capacity in terms of production floor space. When the Group acquires more customers and introduce more manufacturing programs in Vietnam, this additional floor space will be progressively taken up. While the capital expenditure for infrastructure at the Vietnam campus has been substantially completed, the existing production equipment deployed at the Vietnam campus is only sufficient to support the initial ramp up plan, additional production equipment will be acquired progressively in accordance with production demands.

The Group garnered more than three years of Vietnam operating experience before its Vietnam campus commenced production. This was facilitated by the secondment of experienced management personnel from the China campus to oversee the setup of the Group's Vietnam operations which were progressively scaled up from a single assembly line to a full scale manufacturing site. In order to ensure that Vietnam campus achieves an optimal performance similar to the China campus, the Group also replicated the set-up of MES at the Vietnam campus. Automation and work cells have also been introduced at the Vietnam campus so it mirrors the China campus to deliver better productivity, consistent quality and efficiency outcomes with the Vietnamese labour force.

D COVID-19 Pandemic

Question 4:

What is the impact of the COVID-19 shutdowns on production? How is Management mitigating the risks? Now that COVID measures are easing, are the operations in China and Vietnam back to normal production levels?

Company's Response:

Whilst the COVID-19 lockdowns instituted in China and Vietnam did not directly affect the Group's operations in terms of a factory shutdown, they did affect supply chain logistics which had an adverse impact on the Group's production, labor supply and productivity.

While more and more countries, including Vietnam, adopting a “live with virus” approach, China continues to stick with its “dynamic zero-COVID” strategy. The recent news of lockdowns in more Chinese cities indicate that the situation in China has not fully returned to normal and any resurgence of COVID-19 infections will continue to impact supply chains and affect cross border logistics. Since the Vietnam campus commenced mass production in the last quarter of FY2022, the Group now has manufacturing campuses in two different countries. The Vietnam campus could be a contingent site for certain products, thus placing the Group in a better position to deal with government driven regional shutdowns as compared to a year ago.

E Dividends

Question 5:

A shareholder suggests that the Company consider increasing the dividend amount.

Company’s Response:

Since its listing on the SGX Mainboard in 2007, the Company has been declaring dividends every year. In 2014, the Company further adopted a formal dividend policy where it committed to a dividend payout of ordinary dividend at least 30% - 50% of net profit.

As stated in pages 33 – 34 of the Annual Report, in proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account various factors, inter alia –

- i. the Group’s actual and expected financial performance and financial conditions;
- ii. retained earnings and distributable reserves;
- iii. results of operations and cash flow;
- iv. the level of the Company’s debts to equity ratio and return on equity;
- v. the ability of the Company’s subsidiaries to make dividend payments to the Company;
- vi. restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements;
- vii. the Group’s expected working capital requirements, the Group’s expected capital expenditure, future expansion, other investment plans and other funding requirements;
- viii. general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which the Board may consider appropriate in the interests of the Company; and
- ix. such other factors that the Board deems appropriate.

The Board will continue its endeavours to maintain a balance between meeting shareholders’ expectations and prudent capital management with a sustainable dividend policy. For the benefit of long-term shareholder interest, the Board will continue to review, and revise if necessary, the dividend policy in accordance with the latest business and operating environments.

F Others

Question 6:

What is the search and nomination process for new directors, especially independent directors? Will the nominating committee be using a third-party search firm and/or professional body to cast its net wider for potential candidates? Does the Group have a leadership/CEO succession plan?

Company's Response:

As stated in page 21 of the Annual Report, new appointments to the Board are first considered and reviewed by the Nominating Committee. Potential candidates are sourced through contacts or, recommendations from Directors and, if the Board considers it necessary, third-party search firm and/or professional body may be engaged. The Nominating Committee evaluates the suitability of candidates in line with the Board Diversity Policy which takes into account various aspects, including but not limited to, his/her character, knowledge, skills, experience, gender, age and, his/her ability and willingness to commit time to the Company, before making a recommendation to the Board for approval.

The Company takes the identification and development of management talent very seriously and has a leadership development plan in place.

Question 7:

Is it a board-approved practice for non-board committee members (i.e. the executive directors) to attend board committee meetings? What are the board's governance structure and "Chinese walls" that are put in place at the board committee meetings when the independent directors on the board committees may be reviewing and discussing matters that are related to or affect the executive directors? Are the independent directors able to conduct the board committee meetings without the executive directors in attendance? Are the committees able to make decisions objectively and independently?

Company's Response:

The Independent Directors have conducted ad-hoc meetings without the presence of Executive Directors in attendance. Executive Directors will be invited to Board Committee meetings if necessary, and they are requested to step out with respect to any event/matter that is related to or affects them.

Members of Board Committees exercise their independence and objectively by recusing themselves from discussion and decision on matters in which they have interest/conflict.

Question 8:

What are the reasons behind the Director's fee increased for FY2023?

Company's Response:

Directors' fees are payable to the Independent Directors. The fees take into account Independent Directors' responsibilities, effort and time accorded in discharging their duties and, market practices.

The fee structure for Independent Directors comprises the following components:

- (1) A basic fee for each Independent Non-Executive Director;
- (2) A percentage of basic fee for each additional role on Board Committees; and
- (3) Attendance fee for participation in additional/ad-hoc Board/Board Committees meetings.

The fee structure had not changed substantially since the financial year ended 31 March 2015 ("FY2015"). The fee increase takes into account the following –

- Provision for additional Board and Board Committee meetings; and
- Appointment of a new Independent Director.

The Board intends to appoint a new Independent Director to transition onto the Board and Board Committee in FY2023, to rejuvenate the Board.

Fees for additional Board and Board Committee meeting will be paid if such meetings are required and held. If there are no/less meetings, the actual amount of Directors' fees will be lower than S\$350,000. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in calendar year 2023 before payment are made to Directors for the shortfall.

Question 9:

Would the Company consider letting shareholders ask questions and vote live should the next AGM be held electronically?

Company's Response:

The Board has taken note of this feedback and will opt for shareholders asking questions and voting live should the next AGM be held electronically.