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Issuer: Valuetronics Holdings Limited

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Meeting details:

Date: 23 July 2018

Time: 10.00 a.m.

Venue: Level 3, Venus Room I & II, Furama RiverFront, Singapore, 405 Havelock Road, Singapore 169633

Company Description

Valuetronics Holdings Limited, an investment holding company, provides integrated electronics manufacturing services (EMS) in the United States, the People's Republic of China, Poland, Canada, the Netherlands, and internationally. It operates in two segments, Consumer Electronics (CE), and Industrial and Commercial Electronics (ICE). The company provides EMS services to CE and ICE products covering smart lighting products, printers, temperature sensing devices, communication products, automotive products, and medical equipment. It offers design, engineering, manufacturing, and supply chain support services for electronic and electro-mechanical products; and original equipment manufacturing services, including PCBA and box-build assembly, as well as original design manufacturing services. The company's design services include mechanical design; plastic tool design; electronics, RF, and software designs; regulatory compliance engineering and testing; and product test development services. Its manufacturing services comprise plastic tool fabrication and injection molding; metal stamping and machining; printed circuit board assemblies, including complex multi-layer boards; sub-assemblies and full product assemblies; reliability engineering and testing; quality systems; materials procurement; and on-site program management services. The company's supply chain support services comprise shipment of products to final destinations; product customization and drop shipment; warranty and non-warranty repairs; spare parts inventory and shipment; and direct fulfillment programs. It also holds properties; provides trading and business services; and manufactures diagnostic equipment. The company serves multinational and mid-size companies in the telecommunications, industrial, commercial, and consumer sectors. Valuetronics Holdings Limited was founded in 1992 and is headquartered in Shatin, Hong Kong.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BN2)

1. The group's revenue increased by more than 25% to hit HK\$2.85 billion, with consumer electronics ("CE") accounting for 49% of total revenue and Industrial and Commercial Electronics ("ICE") accounting for 51% of total revenue. In the Corporate Profile (page 1 of the annual report), the list of products manufactured by the group includes smart lighting products, printers, temperature sensing devices, communication products, automotive products and medical equipment.

The company has disclosed that its key customer has signaled a slowdown in the demand for smart LED lighting products to allow for inventory reduction at their trade partners.

(i) To help shareholders better understand the group's operations, can management provide a high-level view of the revenue by product?

The group has also made good progress in the automotive segment with the successful qualification by a second automaker customer and is working towards completing a fully automated line for mixed models for its automotive customer.

(ii) As the group scales up the automotive segment, what is the projected impact on profit margin?

(iii) Can management help shareholders understand if the automotive segment can be scaled up substantially to become an important growth pillar for the group?

2. The group has disclosed that it is progressively introducing more automation and upgrading its Manufacturing Execution System ("MES") as part of its Industry 4.0 efforts. The upgraded automated MES is expected to help the group in maintaining consistency, improving efficiency and increasing manufacturing flexibility.

Phase 1 of the upgrade of the AEGIS MES platform has been completed (page 6).

(i) What are the productivity gains achieved under Phase 1 of the upgrade?

(ii) How long will Phase 2 of the upgrade take? How many more phases have been planned to upgrade the group's MES?

(iii) What is the total budgeted capital expenditure for the MES upgrade and how much has been spent in Phase 1?

3. In the Chairman's Statement, it was stated that cash is regarded as a strategic asset for the company that helps it to create sustainable long term shareholder value. The group is also said to be maintaining a cash reserve to allow it to "respond to merger and acquisition opportunities as and when they arise".

Of the group's total equity of HK\$1.06 billion, more than HK\$671 million or 63% is in the form of cash and bank deposits as at 31 March 2018.



According to the section titled “Key Milestones” (page 8), the group made its last acquisition in 2009 when it acquired In Vitro Diagnostic (“IVD”) medical equipment co-developer and manufacturer.

- (i) Given the group’s scale, customer base and technical ability, what kind of acquisition target would be most synergistic and benefit the group most?**
- (ii) Can the board/management help shareholders understand if it is actively on the lookout to acquire other companies as part of its acquisition growth strategy?**

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

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=220

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