



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Valuetronics Holdings Limited

Stock code: BN2

Meeting details:

Date: 14 August 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the chairman's statement, it was highlighted that the trade war has resulted in MNCs diversifying their manufacturing footprint beyond China to avoid the tariffs imposed by the US government. Some customers are exploring manufacturing in other ASEAN countries while certain customers in the automotive industry and Consumer Electronics ("CE") segment have plans to switch over to other suppliers in North America to serve the US market in FY2021.

The group has executed well on its Vietnamese expansion plans. Trial production has commenced at the second manufacturing facility since May 2020 and the group is focusing on its Phase 3 development which will include a new campus. The new Vietnam campus will mirror the group's Daya Bay campus in China with one-stop manufacturing solutions including PCBA, plastic injection moulding and assembly. As disclosed, the capital expenditure for the construction of Vietnam campus is estimated to be around HK\$200 million and will be financed with internal resources.

- (i) **With production shifting away from China, what is the utilisation rate of the manufacturing facility in China?**
- (ii) **What is the improvement in the cost-competitiveness of the new facilities in Vietnam?**
- (iii) **Given that the group is duplicating its manufacturing facility in Vietnam, is there a risk of overcapacity as there are also signs of a slowdown in demand from customers?**

Q2. As shown in the financial highlights (page 4; reproduced below), revenue for the year slipped by 16.8% to HK\$2.35 billion. The contributions from the CE and Industrial and Commercial Electronics ("ICE") sectors were HK\$916.0 million (down 21%) and HK\$1,438.4 million (down 14%) respectively.

5 YEARS SUMMARY

31 March		2016	2017	2018	2019	2020
RESULTS (HK\$ MILLION)						
Revenue	Consumer Electronics	824.6	987.1	1,398.1	1,161.2	916.0
	Industrial & Commercial Electronics	1,128.3	1,287.8	1,455.6	1,667.6	1,438.4
	Total	1,952.9	2,274.9	2,853.7	2,828.8	2,354.4
Gross profit		297.5	341.7	414.6	430.3	362.8
Profit before tax		135.7	173.0	229.7	224.1	196.2
Profit attributable to owners of the Company		120.4	154.1	204.7	199.5	178.9
Cash generated from operations		309.7	169.5	82.5	417.1	346.2

(Source: company annual report)

As seen in Note 6 (page 75 – Segment information), the number of major customers has decreased from four to three in FY2020.

- (i) **Can management provide shareholders with better clarity on the breakdown of revenue by product/industry?** This would help shareholders better understand the opportunities and risks faced by the group.
- (ii) **Other than shifting the manufacturing facilities to Vietnam (could be viewed as a defensive move to retain customers), what are the other pro-active strategies by management to increase its customer base and orders?**
- (iii) **Does management see any silver lining during this challenging time? Specifically, were there opportunities to expand the group's medical equipment business?**

Q3. On 3 August 2020, the company published its Sustainability Report for FY2020. Following a materiality review, and incorporating inputs from various stakeholder engagements, the group has identified 12 material aspects, including:

- Economic performance
- Anti-corruption
- Supplier environmental assessment
- Occupational health and safety
- Sustainability governance
- Business Ethics

- (i) **Since the group started its Sustainability reporting journey, can management cite any examples where the reporting of its sustainability practices led to better policies and processes that further raised the group's sustainability efforts?**

Under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

In the Sustainability report, the company has not stated clear targets (including how the targets are set, and the importance of the target to the business goals).

- (ii) **Would the board consider providing a list of the key targets and the appropriate performance indicators in each material factor to help shareholders understand the progress made over the years?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)