VALUETRONICS HOLDINGS LIMITED

(Incorporated in Bermuda on 18 August 2006)
(Company Registration Number: 38813)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE COMPANY'S ANNUAL REPORT FOR FY2023

The Board of Directors (the "Board") of Valuetronics Holdings Limited (the "Company", together with its subsidiaries, the "Group") refers to the below queries raised by the Singapore Exchange Securities Trading Limited on 13 July 2023 in relation to the Company's annual report for the financial year ended 31 March 2023 and would like to provide its response as follows:

SGX Query 1:

Please provide explanations for the following:

(a) A decrease in inventories from HK$273,508 as at 31 March 2022 to HK$203,625 as at 31 March 2023;

(b) A decrease in prepayments and other current assets from HK$41,135,000 as at 31 March 2022 to HK$22,535,000 as at 31 March 2023; and

(c) A decrease in trade payables from HK$262,733,000 as at 31 March 2022 to HK$233,565,000 as at 31 March 2023.

Company's Response:

The Company has in its Financial Review, provided an explanation for the decrease in net working capital, attributing it to improved working capital management. As of 31 March 2023, the Group's working capital, which is calculated as the sum of trade receivables and inventories minus trade payables, amounted to HK$433.8 million (31 March 2022: HK$441.5 million). The decrease in inventories and trade payables can be attributed to the overall implementation of our working capital management initiatives.

On the other hand, the decrease in prepayment and other current assets was primarily driven by the refund of several prepayments associated with the completed construction of the Vietnam Campus.

SGX Query 2:

Please provide the reason(s) for the significant trade payables of HK$233,565,000 when the Group recorded a cash and cash equivalent of HK$1,009,930,000 as at 31 March 2023.

Company's Response:

It is common in the EMS (Electronic Manufacturing Services) industry for component suppliers to provide credit terms to their customers. These credit terms allow the Group to purchase components and materials on credit, thereby delaying the need for any immediate cash outflow. As of 31 March 2023, the Group's trade payable turnover days are around 49 days, which is a relatively standard payment cycle within the EMS industry.

SGX Query 3:

Listing Rule 710A states that an issuer must describe in its annual report its board diversity policy, including the following:

(a) the issuer's targets to achieve diversity on its board;

(b) the issuer's accompanying plans and timelines for achieving the targets;

(c) the issuer's progress towards achieving the targets within the timelines; and

(d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Please disclose whether and how Listing Rule 710A has been complied with.

Company's Response:

The Company had in its Corporate Governance Report disclosed under Provision 2.4 of the Code of Corporate Governance stated that –

"The NC and Board consider the current structure, size and composition of the Board and Board Committees appropriate for the Group's present scope and nature of operations, which facilitate effective decision making, where no individual dominates the Board's decision-making process. The NC and Board also consider the current mix and composition of the Board reflects the Company's commitment to Board diversity. The Company has 1 female member (representing 20%) and 3 INEDs (representing 60%) on the Board of 5 members. The Board has the appropriate level of independence and comprises Directors with different backgrounds, experience and qualifications/specialization. The Directors as a group possesses the appropriate balance and diversity of skills, experience, knowledge and gender to provide the Company with the requisite core competencies in areas such as accounting, business, management, financial, legal and industry knowledge, allow for diverse and objective perspectives on the Group's business direction and growth as well as help to avoid group think and foster constructive debate. Management will continue to benefit from the Directors' respective expertise and diverse backgrounds.

The Company recognizes the benefits of having a diverse Board and has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The NC is responsible to review and monitor its implementation and will recommend appropriate changes to the Board for consideration and approval.

Pursuant to the Board Diversity Policy, the NC reviews annually the appropriateness of the current Board size and composition, taking into consideration, inter alia, the needs of the Company and the environment in which it operates, the collective skills and competencies of the Board, gender, service tenure spread of the Directors, the need for progressive renewal of the Board and changes (if any) in the regulatory environment. When the need arises, the NC will make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that there is an appropriate composition of members of the Board from suitably diverse backgrounds to meet the Group's operational and business requirements. The Company remains committed to implementing the Board Diversity Policy and any further progress made towards implementation of the policy will be disclosed in future Annual Reports."

The Board has set out the board diversity policy as required under Listing Rule 710A and at present, the Board consists of directors with diverse backgrounds, experiences, and qualifications/specializations. This diversity is reflected in the composition of the Board, which includes directors with both genders. For the diversity in backgrounds, experiences, and qualifications/specializations, the company has directors with extensive experience in the EMS industry spanning over 30 years. Additionally, one director is a retired partner from a Big 4 accounting firm, another is a female practicing solicitor, and one director brings valuable expertise from the banking sector, specifically in investment and asset management. It is worth noting that all Board members possess business management experience.

Given the aforementioned diversity and qualifications, we believe that the diversity target has been achieved. This diverse composition of the Board aligns with the Company's objectives and plans to establish itself as one of the leading EMS players in the region.

Based on the above, the Company has complied with Listing Rule 710A.

BY ORDER OF THE BOARD
VALUETRONICS HOLDINGS LIMITED

Tse Chong Hing
Chairman and Managing Director

14 July 2023