



**VALUETRONICS HOLDINGS LIMITED**

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

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE COMPANY'S ANNUAL REPORT FOR FY2020**

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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 4 August 2020 in relation to the Company's annual report for the financial year ended 31 March 2020 ("Annual Report") and would like to provide its response as follows:

**SGX Query 1:**

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 3 of the Code.*

*Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.*

**Company's Response:**

Provision 3.1 of the Code provides that the Chairman and Chief Executive Officer should be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision making.

A dual leadership structure has not been adopted as the Board is of the opinion that the Chairman with his background, knowledge, experience and contributions to the Group will facilitate efficient decision-making process and bring greater value to the Group. Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that notwithstanding that the Chairman and Managing Director is the same person, there are sufficient safeguards and checks to ensure the independent exercise of objective judgement on affairs and operations of the Group. The Company wishes to clarify that:

- (i) The performance of the Chairman is reviewed by the Nominating Committee, through the conduct of peer evaluation by Board members.
- (ii) As disclosed on page 14 of the Annual Report, the Board conducts regular scheduled meetings on a quarterly basis to keep the Board updated on the Group's financial position, business activities and the overall business environment in which the Group operates and to review half-year and full-year results announcements. Ad-hoc meetings are held as and when required to address significant issues that may arise. When a physical meeting is not possible, timely communication with the Directors is achieved through electronic means and the Board/Board Committees' approval is sought for important and critical matters concerning the Company via circulation of written resolutions.

Major decisions which have a material impact on the Group's business are made collectively by the Board. In addition, all the Board Committees are chaired by Independent Non-Executive Directors ("INEDs") and all the Board Committees' members are INEDs.

- (iii) INEDs form a majority of the Board. As disclosed on page 17 of the Annual Report, INEDs contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. They are encouraged to constructively challenge and help develop proposals on strategy. Their views and opinions provide alternative perspectives to the Group's business. When challenging proposals or decisions, they individually bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The INEDs communicate amongst themselves both formally at scheduled meetings without the presence of Management and, informally via email or telephone on matters concerning the Company.
- (iv) As disclosed on page 18 of the Annual Report, the Company has appointed Mr Ong Tiew Siam as the Lead Independent Director to provide leadership in any situation where the Chairman is conflicted and to address shareholders' concerns on issues that cannot be appropriately or adequately dealt with by the Chairman and Managing Director or the Chief Financial Officer.

The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company's business are separated to ensure a balance of power and authority and that no one individual Director has unfettered powers of decision-making.

**SGX Query 2:**

*Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 and 8.2 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code.*

*Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.*

**Company's Response:**

The Company had deviated from disclosure of the remuneration of each individual director under Provision 8.1 of the Code, with the disclosure of remuneration in percentage breakdown with respect to directors' fees/salary, variable bonus and other benefits, in remuneration bands of S\$250,000, on page 24 of the Annual Report.

As disclosed on pages 22 and 23 of the Annual Report:

- (a) Executive Directors' remuneration packages are based on service agreements and the remuneration packages comprise a basic salary component and a variable component. The fixed component is in the form of a base salary and the variable component is based on set performance targets and weightage in respect of Group revenue, profitability, return on equity, total shareholders' return, new products launched, corporate governance and sustainability practices. As the variable component comprises financial and non-financial maxtrix, it contributes to value creation in improving revenue, profits and growth of business, thereby increasing the return to shareholders.
- (b) The remuneration packages of Key Management Personnel comprise a fixed component and a variable component. The fixed component is in the form of a base salary and the variable component includes performance-based cash incentive bonus and the share-based Valuetronics Employee Share Option Scheme with share options awarded based on a set of criteria. The Company had disclosed the remuneration of the top 5 key management personnel in bands of S\$250,000 with a breakdown in percentage terms with respect to salary, bonus and other benefits (including share-based payments) and the annual aggregate remuneration paid to these Key Management Personnel, as required by Provision 8.1 of the Code, on page 24 of the Annual Report.
- (c) The performance-related remuneration is to align Executive Directors and Key Management Personnel's interests with those of the shareholders and other stakeholders, for the long-term success of the Company, and link rewards to corporate and individual performance.

As disclosed on page 25 of the Annual Report, the Company had not complied with Provision 8.2 of Code to disclose the remuneration of employees who are substantial shareholders of the Company and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The remuneration paid to Mr Tse and Mr Chow (who are Directors and substantial shareholders of the Company) for the financial year ended 31 March 2020 are disclosed in the bands of S\$250,000 with a breakdown (in percentage terms) showing the level and mix of remuneration, as set out in the table on page 24 of the Annual Report.

In deviating from the disclosure requirements in Provisions 8.1 and 8.2, the Board has taken into consideration the confidentiality and sensitivity of remuneration matters given the highly competitive industry in which the Group operates.

The Board is of the view that the disclosure of remuneration in bands of S\$250,000 provides a reasonable amount of information on the Company's remuneration framework to enable shareholders to understand the link between performance and remuneration of Executive Directors and Key Management Personnel. The fees for INEDs are put to shareholders for approval annually at the Company's Annual General Meeting.

The Board is of the opinion that the practices it has adopted are consistent with the intent of Principle 8 of the Code as a balance is struck between the requirement for transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, vis-à-vis the Group's need to maintain confidentiality of sensitive information.

**SGX Query 3:**

*Listing Rule 713(1) states that an issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than 5 consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two years.*

*Pursuant to Listing Rule 713(1), please disclose the date of appointment PriceWaterhouseCoopers' partner-in-charge, Peter Man Kam Tsang.*

**Company's Response:**

Peter Man Kam Tsang of PricewaterhouseCoopers has been the partner-in-charge of the Group's audit from the financial year 31 March 2016 and has been rotated out after completing the audit for the financial year ended 31 March 2020.

BY ORDER OF THE BOARD  
**VALUETRONICS HOLDINGS LIMITED**

Tse Chong Hing  
Chairman and Managing Director  
5 August 2020