



VENTURE CORPORATION LIMITED
(CO REG. NO. 198402886H)

**ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2022
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
RECEIVED FROM SHAREHOLDERS**

Singapore, 21 April 2022 – Venture Corporation Limited (“**Venture**”, or the “**Company**”, or the “**Group**”) would like to thank shareholders for submitting questions ahead of the Company’s Annual General Meeting (AGM) to be held by electronic means on Thursday, 28 April 2022 at 10.30 a.m. (Singapore time).

The Company will not be providing responses to every question individually. Due to overlap of questions, the Company has grouped its responses to substantial and relevant questions under the following themes:

- A. Business and Operations;
- B. Strategy and Market Outlook;
- C. Share Price Related; and
- D. AGM/Board Matters

Responses to questions received from the Securities Investors Association (Singapore) (SIAS) are also addressed.

Please refer to the Company’s responses as set out in the Appendix.

By Order of the Board

Devika Rani Davar
Company Secretary

21 April 2022

A. BUSINESS AND OPERATIONS

- 1. How are operations for the Shanghai plant affecting bottom-line?**
- 2. With China's Covid-19 zero tolerance, what percentage of Venture's business will be affected?**

Venture temporarily halted operations at its two plants in Shanghai, China for two to three weeks due to the lockdown in the city. On 19 April 2022, operations resumed at the Jinqiao plant and we are actively working to re-open the Zhangjiang plant as soon as possible. It is noteworthy that about 85% of our workforce in China is vaccinated.

The impact to our financial performance is estimated to be less than 1% of the Group's annual revenue. We expect to be able to recover the revenue shortfall in the coming weeks when full production resumes.

- 3. With the ongoing Russia-Ukraine war and lockdown in Shanghai, how have these events impacted the Company's growth/revenue, expenditure target/forecast so far? Is the Company still on track to meet its target? What is the deviation to-date?**

Venture has no direct exposure in Russia and Ukraine as it does not operate any production facilities in these locations. We are closely monitoring the situation to assess if there is risk from any other indirect impact.

- 4. Any insights on the current and forecasted supply chain landscape and any impact on the Company's business and profitability?**

While global components shortage situation is improving for some parts, it has not fully recovered. Working closely with our customers and suppliers, the Company has created several pathways to overcome the shortage problem.

- 5. How will the trend of de-globalization and supply chain safety affect Venture's operations footprint?**

We have not seen any significant level of de-globalization. We will monitor the situation closely and respond when appropriate.

6. **The cash flow statement shows huge outflows on inventories. What is the team's view, with supply chain and geopolitical issues in mind, of the replacement cost of inventories in the next 6 to 12 months?**

Venture's inventory has increased year-on-year, in line with its business growth and customers' demands. Several task forces had been set up to proactively and creatively manage our inventory at optimum levels without compromising our assurance of supply to our customers.

7. **Will the recent strength in USD affect the Company's profit negatively?**

Strengthening of the USD does not affect the Company's profit negatively. The Group's foreign currency exposure is predominantly hedged naturally. As Venture operates internationally, local currency payments are required from time to time, and these are closely monitored and managed through forex hedging.

8. **Referring to the financial results over the past few years, Portfolio A seems very volatile. How is the team managing the challenges in this field?**

Over the past few financial years, revenue attributable to Portfolio A has remained fairly stable at between 41% to 51% of total revenue due to the diversity of our customer base and varied product mix. We continue to see broad-based demand in all technology domains across our diverse customer base.

B. STRATEGY & OUTLOOK

1. **Can the current CEO share some of the more specific expansion plans and outlook? In the Annual Report, there is mention of expanding into life science research and electronic vehicles-related industry. Kindly share more specific numbers, like just how important are these markets for the overall Group.**
2. **How will Venture take advantage of the post-pandemic environment to further grow its business in the coming 3 years?**
3. **What are the future plans of Venture?**

In the 2021 Annual Report, we have shared Venture's achievements in new product introductions, including analytical instruments within the Life Science domain. Growing trends in next generation sequencing and molecular diagnostics are opening up exciting business prospects to support customers in these market segments. Beyond creating valuable business impact, breakthroughs in life science research have the potential to improve human lives.

Venture continues to seek targeted value-creation opportunities across its various dynamic ecosystems of interest.

We will be pleased to update on the execution of our strategic plans as the year progresses.

4. **With the current lowered market cap valuation, why aren't there some share buybacks for future ESOS – is this an indication of better use of the cash reserves for organic/ inorganic investments to come soon?**

We have done share buybacks and have consistently paid good dividends. Given our strong net cash position, we have the ability to take advantage of good opportunities to drive our future growth.

C. SHARE PRICE RELATED

1. **The share price has been falling over the past year. What is the main reason and what are your plans to bring up the share price?**

Venture's share price is affected by a multitude of factors, including the macro-economic environment, geopolitics and general market sentiment. Management stays focused on long-term high performance of the Company, and is less concerned with the vagaries of daily share price movements.

D. AGM/BOARD MATTERS

1. **Will the Company consider having an interactive e-AGM going forward?**

Venture engages with all stakeholders proactively and welcomes interaction with shareholders, at the AGM, as well as on other occasions. Shareholders can reach out to Venture in various ways, including phone calls, emails or meetings with the Company. Announcements of our financial results and material developments also provide useful updates on the Company.

We believe the AGM is a platform to address shareholders' questions on the resolutions tabled for the meeting, so that they may cast their votes on an informed basis. Our current AGM format encourages shareholders to raise substantial and relevant questions on matters relating to the AGM resolutions, and the Company will respond to these questions in a timely manner.

RESPONSES TO SIAS QUESTIONS

1. **As shown in the Annual Report, the Group's mission is to be a leading global provider of technology services, products and solutions. The Group is looking to seize opportunities in Industrial IoT, Life Science & Healthcare and various new technology domains such as EV supply equipment, autonomous vehicle etc. For the financial year ended 31 December 2021, the Group reported revenue of \$3.1 billion. Net profit attributable to owners of the company was higher by 5% at \$312.1 million in FY 2021. Despite the challenges of the pandemic and the headwinds from component shortages, the Group's net profit margin was 10.0% in FY 2021.**

- i. **Can Management help shareholders understand the size of the opportunities in the Life Science domain (new analytical instruments in next-generation sequencing and molecular diagnostics), Instrumentation, Test & Measurement, Networking & Communications, Advanced Industrials, and Semiconductor-related Equipment?**

We believe that the Life Science market segment will grow significantly over time. Having developed strengths and capabilities in this domain, we expect to continue to grow our market share in this segment.

Positive momentum is also seen in Instrumentation, Test & Measurement, Networking & Communications, Advanced Industrials, and Semiconductor-related Equipment. New products are expected to be launched across these technology domains over time.

Our customer base in these segments has grown to over 100 corporate customers/ partners.

- ii. **For the Group's new products, how much market risk does the Group take on?**

Venture's design and manufacture of new products must meet customers' specifications and standards, and undergo stringent testing and evaluation prescribed by us, our customers as well as relevant authorities. Based on customer feedback received to date, the performance and quality of our products have exceeded expectations.

- iii. **From the consolidated statement of profit or loss, it is shown that research and development expenses decreased from \$36.0 million in FY2020 to \$19.3 million in FY2021. How does the Group determine its R&D budget and its allocation?**

Venture's R&D budget is determined by the lifecycle of R&D activities which varies from time to time, and by business needs, depending on customer demands and new product introduction pipeline. This generally explains changes in R&D expenses year-on-year.

In our notes to the financial statements on the SGXNet, R&D expenses cover prototyping, tooling, non-recurring engineering (NRE), materials and related services. R&D manpower costs are separately recorded under “Employee Benefits Expense” in the Statement of Profit Or Loss and Other Comprehensive Income”.

- 2. As noted in the Chairman’s statement, cash generated from operations was substantially lower at \$158.2 million compared to \$498.6 million last year. This was primarily due to the build-up in inventories to support customer orders in the coming quarters. As disclosed in Note 10 (page 148 – Inventories), the Group held 80% more raw materials as at 31 December 2021 amounting to \$755.6 million.**

- i. How much of the build-up in inventories (specifically raw materials) could be attributed to higher prices?**

The bulk of the increase in inventories is due to higher customer requirements. While some raw material prices have increased over time due to imbalance in supply and demand, we have taken proactive steps to mitigate these increases.

- ii. As shown in Note 10, provisions and write-offs of aged inventory increased from \$2.0 million in FY2020 to \$7.9 million in FY2021. Is there a heightened risk of inventory obsolescence as the Group stocks up on raw materials?**

The Company makes provisions to hedge against potential risks as part of its prudent accounting practice. Management is constantly working to minimise the risk of inventory obsolescence.

- iii. The Chairman has stated that the Group expects to face headwinds from the “unabating component shortages”. Can Management help shareholders better understand how it dealt with component shortages?**

Venture leverages on its strong global network of supply chain partners to mitigate the component shortage situation. We undertake proactive inventory management strategies, which include building up a prudent level of inventory stock based on customers’ forecasts and which are expected to be utilised for production, internal re-designing of certain components, and setting up several task forces to manage its global supply base through working closely with our customers, suppliers and component manufacturers.

- iv. In addition, is the Group also affected by increasingly high freight rates?**

Freight costs are typically borne by customers, who are responsible for freight arrangements. In instances where Venture undertakes freight arrangements on behalf of our customers, we work on the most effective ways to minimise such costs.

3. **The Group's Sustainability Report can be found on pages 24 to 46 of the Annual Report. In particular, the material factors can be seen on pages 32 and 33, and the targets on pages 34 and 35. In terms of electricity consumption and carbon emission, the total consumption/emission has generally increased from 2019 to 2021. The consumption/emission intensity by revenue similarly increased over the same period. The total water consumption saw a slight decrease although the consumption intensity by revenue increased from 0.23 to 0.26 from 2019 to 2021.**
- i. **The Group has yet to set any GHG emissions and water usage targets but it has stated its intention to set quantifiable targets in 2022 (see above). Some of the first movers have been disclosing their Scope 1, 2 and 3 GHG emissions of their core operations since 2015. What guidance is the board giving to Management to ensure that the Group meets or exceeds the market's expectations on the sustainability?**

The electronics industry is considered to be a "clean" industry.

Venture started collecting GHG emissions data since 2014 and has taken progressive steps to widen the scope of our reporting over the years. In 2019, we began reporting on Scope 2 GHG emissions. For our upcoming 2022 Sustainability Report, our internal audit department will be reviewing the sustainability reporting processes, including data accuracy. Going forward, we will continue to broaden our disclosures in future sustainability reports to align with market expectations.

- ii. **Will the Board be benchmarking itself against global leaders in sustainability and push the Group to achieve its fair share, or more, in sustainability?**

The Board constantly benchmarks itself against global sustainability leaders.

Venture is proactively taking steps to address climate-related issues that may impact the Group and will enhance our reporting disclosures in future Sustainability Reports.

The Board regards Board Diversity as an important aspect of sustainability. Venture has a diversity policy embedded within its policy called "Developing A High-Performance Board". The guidelines within this policy embody Venture's commitment to the key tenets of diversity, including ensuring the Board has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interest of the Group. In recognition of our Board Diversity efforts, we were adjudged Runner-up (Diversity category) in the Singapore Corporate Governance Award 2021 at the SIAS Investors' Choice Awards.

To stay abreast of the evolving requirements on sustainability, plans are in place for our Board and staff to attend sustainability training.

iii. How will the Board calibrate and set the targets such that the Group makes reasonably meaningful reductions in emissions and usage?

Venture has benchmarked itself against its peers and key customers when deciding on its materiality factors. In 2021, the Group reviewed these factors and has added four new topics in its latest Sustainability Report, with the aim to set quantifiable targets for its energy, water and waste emissions.

iv. Has the Board considered setting a net zero operational carbon target?

Venture believes in making steady progress in its sustainability journey. Although the technology industry is not among those required by the SGX to comply with TCFD disclosures at present, Venture's Board views this global initiative seriously. Venture is planning to work towards net zero operational carbon target.

v. What are some of the low-hanging fruits that can be quickly implemented?

Some of these initiatives include:

- Deploy fuel-efficient trucks for shipments
- Consolidate same-location shipments to reduce multiple trips
- Group-wide initiatives to reduce energy consumption including upgrading to LED lighting, installing solar panels, replacing air-con units with higher efficiency alternatives and promoting efficient use of electricity at the workplace.

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This announcement is also available at www.venture.com.sg.

For more information, please contact:

Ms Judy Tan

Head, Investor Relations & Corporation Communications

Venture Corporation Limited

Tel : +65 6484 8136

E-mail : judy.tan-th@venture.com.sg

ABOUT VENTURE (www.venture.com.sg)

Venture Corporation Limited (“**Venture**” or the “**Group**”) was formed in 1989 as an electronic services provider after the merger of three companies. Today, it is a leading global provider of technology services, products and solutions with established capabilities spanning marketing research, design and development, product and process engineering, design for manufacturability, supply chain management, as well as product refurbishment and technical support across a widely diversified range of technology domains.

Headquartered in Singapore, the Group comprises more than 30 companies with global clusters in Southeast Asia, Northeast Asia, America and Europe and employs over 12,000 people worldwide.

The Group has built know-how and intellectual property with expertise in several technology domains. These include life science, genomics, molecular diagnostics, medical devices and equipment, healthcare and wellness technology, lifestyle consumer technology, health improvement products, instrumentation, test and measurement technology, networking and communications, fintech, as well as computing, printing and imaging technology. The Group manages a portfolio of more than 5,000 products and solutions and continues to expand into new technology domains through its collaborations with customers and partners in selected ecosystems of interests.

Venture is a strategic partner of choice for over 100 global companies including Fortune 500 corporations. It ranks among the best in managing the value chain for leading electronics companies. The Group is committed to enhancing its competencies through further investments in technologies, market access capabilities, its people and expanding connectivity with other enterprises and research-intensive organisations/institutions in its ecosystems of interests. It stands poised to be a leading provider of cutting-edge technology in an ever-evolving world.